



Government of Western Australia
Department of State Development

Leading the way

2010–11 Annual Report



Acknowledgements

The Department of State Development would like to thank all who participated in producing this report and the companies who approved the use of their photographs.

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The online version of this report is available on our website at www.dsd.wa.gov.au

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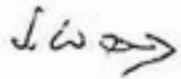
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HON COLIN BARNETT MLA

PREMIER; MINISTER FOR STATE DEVELOPMENT

In accordance with Section 61 of the *Financial Management Act 2006*, I hereby submit for your information and presentation to Parliament, the Annual Report of the Department of State Development for the financial year ended 30 June 2011.

This Annual Report has been prepared in accordance with the provisions of the *Financial Management Act 2006*.



Stephen Wood

Acting Director General

DEPARTMENT OF STATE DEVELOPMENT

19 September 2011



BHP operations, Utah Point (wharf), Harriet Point berths, Finucane Island

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Browse LNG Precinct project, James Price Point

Executive Summary

Welcome to the Department of State Development 2010-11 Annual Report.

The Department continues to play a key role supporting the Western Australian Government. Operating under the Lead Agency Framework—a policy framework designed to encourage economic development—2010-11 has been an event-filled year for the Department with significant achievements realised across both the public and private sectors, which will bring social and economic benefits for the state of Western Australia.

These outcomes are contingent on the agency ensuring there is a balance between economic development and Indigenous interests. During the year we developed and contributed to policies that support the state's development including the cost of domestic gas and local content in major resources projects.

Over 200 trade activities were recorded during 2010-11 where we provided support, briefings and coordinated visits to Western Australia. These activities included potential customers, investors and officials from trading partners as well as overseas promotional visits by local exporters and Ministerial Missions, including the

Premier's visits to Japan, Korea and Singapore.

With investment being the second most important driver of economic growth in Western Australia after exports, this year we experienced a 77 per cent increase in investment enquiries. Most of the state's business investment is in the construction of large resources projects and Western Australia had 63 per cent of the total value of Australia's resources projects under construction or committed in April 2011.

In our role as lead agency, we represent the State's interests when negotiating new or varying existing Agreements. For more than fifty years, State Agreements (contracts between proponents of major resources projects and the Government of Western Australia) have been used to foster major development and provide long-term certainty for projects. These projects are complex and are generally located in remote/regional locations that require significant infrastructure development.

Achievements this year include negotiating and finalising the Agreements in June 2011 to secure access to land near James Price Point for the Browse Liquefied Natural Gas Precinct and, in October 2010, both Hancock Prospecting Pty Ltd's new *Railway (Roy Hill*

Infrastructure Pty Ltd) Agreement Act 2010 and Cockburn Cement Limited's varied *Cement Works (Cockburn Cement Limited) Agreement Act 1971*, were ratified by Parliament.

Another of our success stories was to secure the 18th International Conference and Exhibition on Liquefied Natural Gas (LNG18). Perth will host this prestigious event in April 2016. This is a major international forum with delegates visiting from over 70 countries. The event is anticipated to inject millions of dollars into the economy and is an ideal opportunity to reinforce Western Australia's status as a leading oil and gas industry hub while promoting Perth's reputation as a business and conference centre.

Western Australia is highly dependent on exports, which are equivalent to about half of the state's Gross State Product each year. The state's exports rose by 33 per cent in 2010, and are expected to rise further as capacity expansions in the iron ore and gas sectors come on line over the next five years. Western Australia accounted for 44.2 per cent of Australia's merchandise exports in 2010 and in the first five months of 2011, this rose to 47.7 per cent—more than New South Wales, Victoria and Queensland combined.

Most of the state's business investment is in the construction of large resources projects. Western Australia had 63 per cent of the total value of Australia's resources projects under construction or committed in April 2011. The state's total private new capital expenditure was \$34.2 billion for the year ending March 2011, a 9.2 per cent increase over the year ending March 2010. Over the same period, mining investment rose by 27.9 per cent, with a total value of \$27.7 billion.

There are challenges to be overcome to sustain growth. Infrastructure continues to be expanded to accommodate growing exports. We are tackling these challenges to promote sustainable economic growth by facilitating resource development responsibly, taking into account the economic, social (including Indigenous and heritage) and environmental consequences of development.

We facilitate development by:

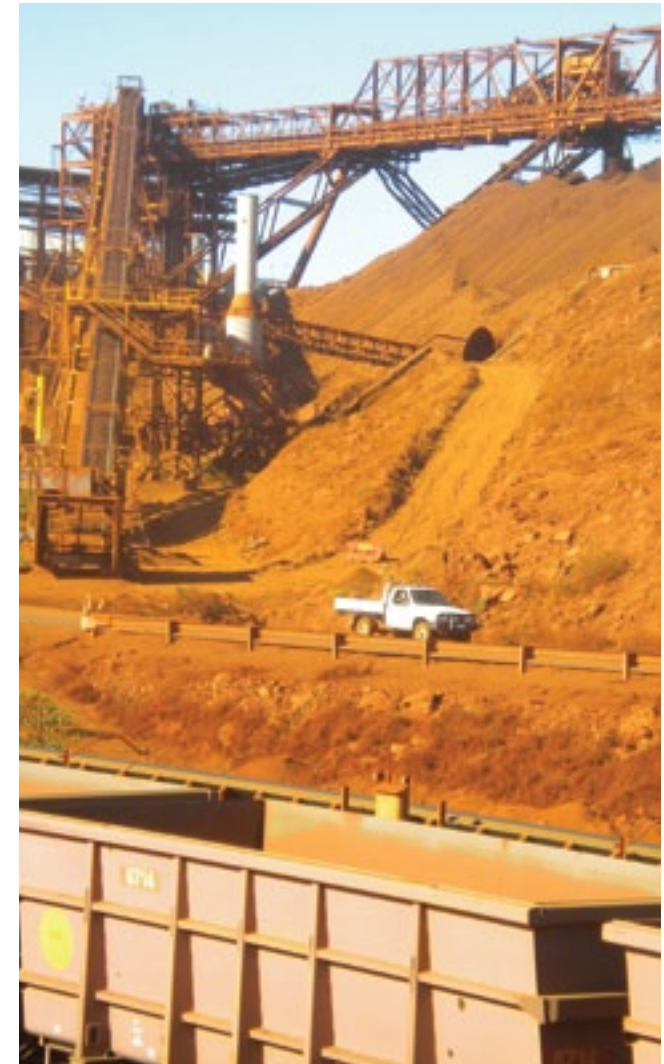
- guiding industry with market development
- facilitating the approval and regulatory process for new projects and expansions.

Through this work, and in our role as the lead agency for major resources, industry and infrastructure projects, we improve:

- accountability, transparency and responsibility
- monitoring, and project management
- decision making and conflict resolution.

Not all our milestone targets were achieved this year. In our lead agency role we guide proponents of complex resources projects through the Government's approvals process and some of our internal targets for the year were directly influenced by commercial decisions or unforeseen delays caused by the economic environment.

Other milestones were delayed due to the extensive and rigorous processes in place to ensure the best possible outcome is achieved—such as the delivery of the Browse LNG Precinct Strategic Assessment Report. The draft report, submitted to the Environmental Protection Authority in December 2010, consisted of 1500 pages and over 5000 pages of appendices. The Department was in the final stages of preparing the Proponent's Response to Submissions document at the close of the financial year.



Iron ore stock piles, Cape Lambert, Pilbara

Securing Commonwealth Environmental approval for the Ord Irrigation Expansion and the commencement of construction of Phase 2 for the project was delayed following the decision by the Federal Minister for the Environment for the project to undergo further assessment through an Environmental Impact Statement. Through 2011-12 we will continue to work closely with the Commonwealth to ensure all additional requirements are met.

The scope and complexity of the projects we manage—from LNG and iron ore investment or mine, rail and port expansions, through to structure planning for industrial precincts—all require careful budget estimating and related expenditure is tied heavily to the timing of milestones. Timing is not necessarily clear cut at the project commencement stage and timelines can sometimes vary from the original estimates. Strong financial management and internal communication is critical to ensure that project budgets remain aligned with the most relevant timing.

In 2010-11, about \$40 million of the agency's original budget was repositioned to the 2011-12 year, which was identified as the most likely year of incurrence. This repositioning ensured accuracy in the agency's contribution towards the state's whole of Government estimates.

During 2010-11 we continued to invest in training, professional and leadership development, and capacity building of our staff. We have created a work environment that supports ethical behaviour, launched our agency values and celebrated our successes.

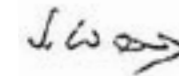
The Commonwealth Heads of Government Meeting and the Commonwealth Business Forum, to be held in Perth in October 2011, provide opportunities for us to promote Western Australia and maximise trade and investment. During the year, we developed a communication strategy for these events, which includes a suite of publications and fact sheets, video footage, seminars, site visits and a staffed information stand at the Commonwealth Business Forum.

Although I have been with the Department for a relatively short period of time, I am proud of the enthusiasm, integrity and professionalism that our people display every day at work.

Our achievements in 2010-11 were made possible by the combined efforts of everyone within our agency and this Annual Report pays tribute to our people, their achievements and the work we have undertaken as an organisation.

I assumed the role of Acting Director General in May 2011 and would like to thank my predecessor, Anne Nolan and acknowledge her contributions to the Department of State Development since it was established in January 2009. I wish her well in her new role as Director General of the new Department of Finance.

This continues to be an exciting time for Western Australia and we savour the opportunity to contribute to responsible development for the benefit of the Western Australian community and to ensure the success of complex major projects.



Stephen Wood

Acting Director General

Introducing the Department of State Development

The Department of State Development was established under the *Public Sector Management Act 1994* on 1 January 2009 and reports to the Premier and Minister for State Development, the Honourable Colin Barnett MEd, MLA.

Who we are

We are the State Government's lead agency for promotion, coordination and facilitation of responsible development in Western Australia. We work to achieve growth for Western Australia through building strategic infrastructure and by leading and facilitating government and industry projects that create jobs and underpin Western Australia's long term development.

The business we do

We have a unique role in the Western Australian public sector. Our business is to deliver the Western Australian Government's priorities for state development in projects of state significance including in the Kimberley, Pilbara and Mid West regions, and we assist project proponents to develop major resource and

industry projects. We also advise and assist Western Australian businesses in global export opportunities.

The way we do business

Our key roles are to:

- Develop and coordinate significant State projects
- Facilitate and lead the coordination of approvals processes across Government for major resources and infrastructure projects
- Negotiate and manage agreements between development proponents and the State Government
- Enable the development of strategic industrial land and infrastructure to meet industry needs
- Assist the development of export markets
- Provide strategic policy advice on State development issues.

For more information on the way we do business, refer to page 16 - **Strategic Plan 2011 to 14**. Our strategic plan is also available online at www.dsd.wa.gov.au and can be accessed by clicking here.

This year a case study on the Roy Hill Approval has been included. It gives an insight into how we do our business—facilitating large, complex resource projects—and gives an account of how the desired outcome was achieved. Refer to page 36.



Parker Point, Pilbara - Rio Tinto

Our values

The Department of State Development Values were launched in October 2010 following consultation with stakeholders and staff across the agency.

These values support our corporate culture and are the principles we use to help us serve the interests of the public and to produce positive results.

Working Together

We support each other in a team environment, treat others with fairness and respect, acknowledge innovation and effort and celebrate success.

Leadership

We provide purpose and direction and empower and support our people to use their initiative to deliver effective outcomes.

Integrity

We are ethical and accountable for our actions, deliver on our promises and share information appropriately.

Transparency

We value two-way communication, providing appropriate feedback and using transparent processes.

Excellence in Delivery

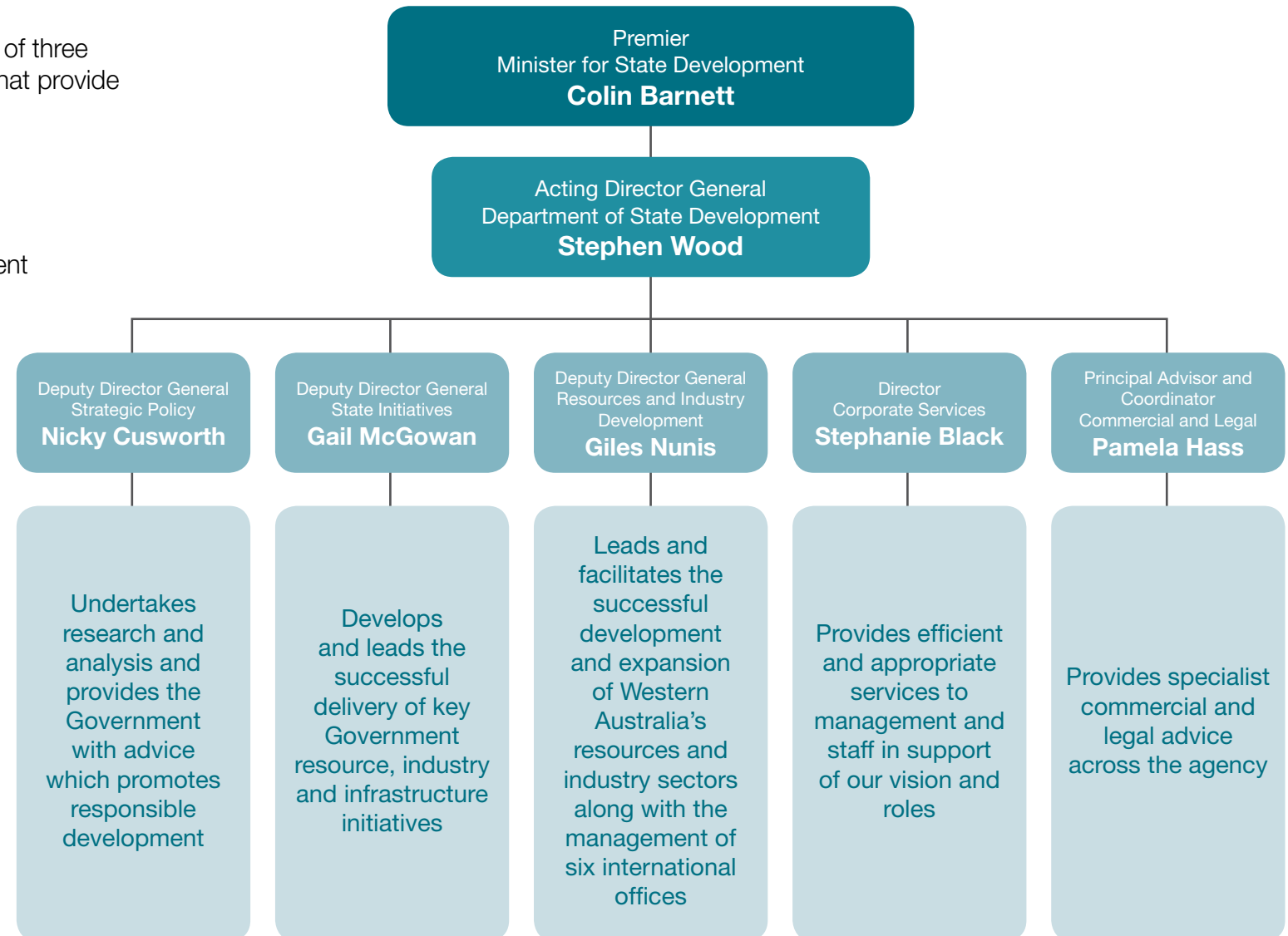
We produce high quality work to deliver value to the community, and we constantly seek to improve the way we operate.



Our organisational structure

Our organisational structure consists of three operational divisions and two areas that provide services across the agency:

- Strategic Policy
- State Initiatives
- Resources and Industry Development
- Corporate Services
- Commercial and Legal



Our executive team

Stephen Wood

Acting Director General

We welcomed Steve to the role of Acting Director General in May 2011. Steve has forged a public service career that started in 1979 working for the Commonwealth Government. During his career he has held a number of senior roles in the Departments of Productivity and Labour Relations and the Premier and Cabinet. He was also a Commissioner of the Western Australian Industrial Relations Commission for ten years.

Nicky Cusworth

Deputy Director General Strategic Policy

Nicky joined the agency as the Deputy Director General of the Strategic Policy division in January 2010. She has extensive experience in economic analysis and public policy in both the private and public sectors.

Gail McGowan

Deputy Director General State Initiatives

Gail is the Deputy Director General of the State Initiatives division within the Department. She has extensive experience in working across government at both the State and Commonwealth level.

Giles Nunis

Deputy Director General Resources and Industry Development

Giles has an extensive commercial background having held the position of Australian Managing Director of a multi-national consulting firm and having previously worked in the Western Australian Government in the Justice and Lands portfolios.

Stephanie Black

Director Corporate Services

Stephanie has been Director of the Corporate Services division since August 2009. Stephanie has considerable experience as a leader in Western Australian industry having previously held positions as the Chief Executive Officer, Company Secretary and Executive Manager Risk at United Credit Union and several key roles at BankWest including Principal Auditor.

Pamela Hass

Principal Counsel, Legal and Commercial Strategy

Joining the Department in June 2011, Pamela brings with her a wealth of legal experience particularly as an in-house counsel in private enterprise, universities and government. Pamela's previous positions include University Secretary and Special Legal Counsel at the University of Western Australia and General Counsel at Curtin University of Western Australia. Pamela was the first national president of the Australian Corporate Lawyers Association (the association for in-house counsel) from Western Australia.



Strategic Corporate Executive 2010-11

Key legislation

The Department of State Development complies with all relevant legislation that governs its functions.

The Department also has responsibility for the administration of four Statutes and 68 State Agreements. These are listed in Appendix 1 on page 111.

Performance Management Framework

Government goals and agency outcomes

Our major contribution is to the Government's strategic objective *State Building – Major Projects*. We also make contributions to other State Government goals, particularly *Stronger Focus on the Regions* and *Social and Environmental Responsibility*.

State Government's Strategic Goal: State Building - Major Projects

Build strategic infrastructure that will create jobs and underpin Western Australia's long term economic growth

Agency Desired Outcomes

Responsible industry development and resource investment

Service

Industry development and investment facilitation



Dampier Port

Strategic Plan 2011 to 14

Our Strategic Plan was published in January 2011. It outlines our goals, objectives and targets for the next three to five years.

The plan comprises five priority strategic objectives.

These factors are critical in achieving our strategic goals:

1. We understand the drivers of State development and how they affect our work.
2. Policies, principles and frameworks give staff clear guidance about how to facilitate responsible development.
3. Project management systems aligned with cultural commitment, support delivery of government priorities in agreed timeframes.
4. We share an understanding of the Department's role and communicate it consistently to stakeholders, who are confident we can deliver.
5. We are motivated, appropriately trained, happy and focused.

Strategic Plan 2011-14

Establish foundations for responsible development

Develop frameworks and policies to support responsible development and infrastructure investment

Coordinate and deliver significant projects and State initiatives

Build capability and capacity to achieve objectives

Communicate effectively and build robust internal and external relationships



Corporate Executive Team 2011-2012

Shared responsibilities with other agencies

Operating under the Lead Agency Framework we strive to achieve better cooperation and greater efficiency across Government for the delivery of projects that benefit the state. Formal governance arrangements and clear reporting frameworks assist in clarifying roles and responsibilities.

The following table provides a snapshot of initiatives, outcomes and the contributing agencies.

Initiative	Related Outcome	Contributing Agencies	
Ord Irrigation Expansion project (State and Commonwealth funding)	<p>Working with State and Federal Government agencies on key community and economic infrastructure to establish a sustainable community in the East Kimberley.</p> <p>Development of off farm agriculture infrastructure including construction of irrigation channels, roads, power and telecommunications to service the future needs of the region.</p>	<p>Department of State Development</p> <p>Regional Development and Lands</p> <p>Department of Environment</p> <p>Department of Health (WA Country Health Services)</p> <p>Department of Transport</p>	<p>Department of Housing</p> <p>Department of Training and Workforce Development</p> <p>LandCorp</p> <p>Department of Water</p> <p>Department of Agriculture and Food</p> <p>Department of Indigenous Affairs</p>
Browse LNG Precinct	The establishment of an LNG precinct on the Kimberley coast.	<p>Department of State Development</p> <p>Department of Transport</p> <p>Department of the Premier and Cabinet</p> <p>Department of Treasury and Finance</p> <p>State Solicitor's Office</p> <p>LandCorp</p> <p>Department of Planning</p> <p>Broome Port Authority</p> <p>Regional Development and Lands</p>	<p>Department of Environment and Conservation</p> <p>Department of Indigenous Affairs</p> <p>Environmental Protection Authority</p> <p>Department of Fisheries</p> <p>Tourism WA</p> <p>Main Roads WA</p> <p>Department of Water</p> <p>Department of Training and Workforce Development</p>



Gorgon Project, Barrow Island

Initiative	Related Outcome	Contributing Agencies	
Oakajee Mid West Development project	An integrated port, rail and industrial estate to support the development of Mid West resources and ensure the long term prosperity of the region.	Department of State Development Public Transport Authority Department of Planning	Department of Transport Geraldton Port Authority LandCorp
Ashburton North Strategic Industrial Area	A greenfields multi-user, deep water port and associated industrial area near Onslow for processing natural gas and export.	Department of State Development Dampier Port Authority LandCorp Department of Transport	Department of Planning Environmental Protection Authority Department of Environment and Conservation
Anketell Port and Strategic Industrial Area	A greenfields multi-user, multi-commodity, deep water port and associated strategic industrial area at Anketell near Dampier.	Department of State Development Dampier Port Authority LandCorp Department of Transport Department of Planning Environmental Protection Authority Department of Environment and Conservation	Main Roads WA Regional Development and Lands WaterCorp Department of Water Department of the Premier and Cabinet Department of Treasury and Finance Shire of Roebourne

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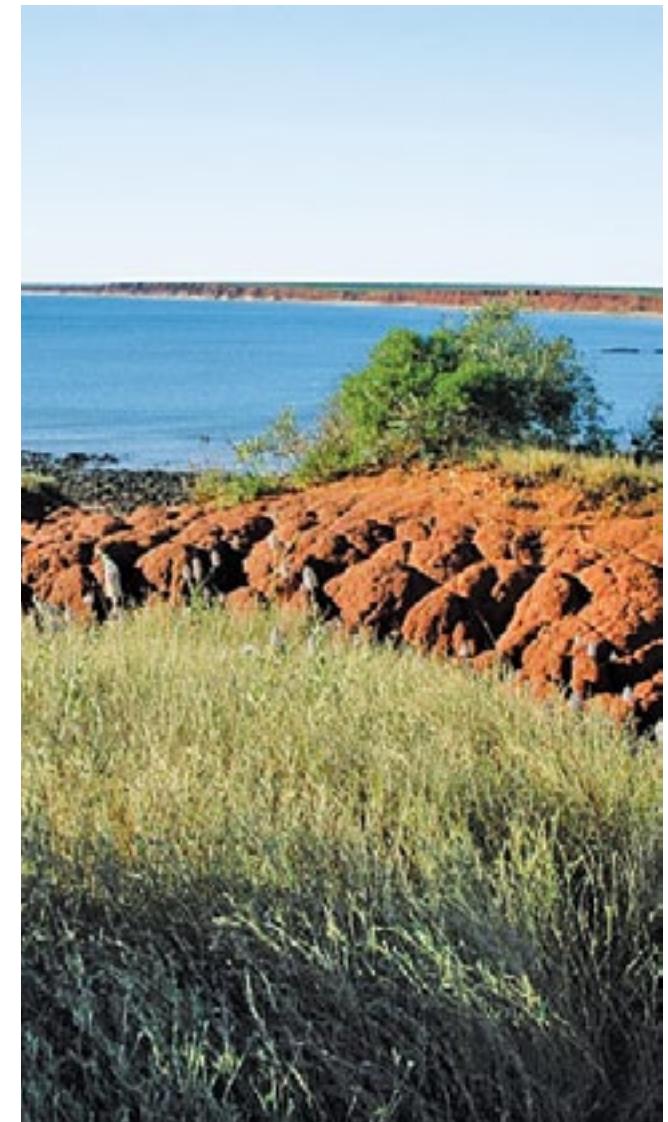
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Browse LNG Precinct project, James Price Point

Overview

Our function is to support sustainable and responsible development and to promote Western Australia to prospective investors as a growing and dynamic economy in which to invest and operate. This includes international trade facilitation and industry promotion.

As the Western Australian Government's lead agency for major resources, industry and infrastructure developments we oversee major private investment projects, such as:

- Chevron's Gorgon liquefied natural gas expansion at Barrow Island
- Chevron's Wheatstone liquefied natural gas project at Onslow
- Perdaman Industries' Urea project in Collie
- Sino Iron's Cape Preston magnetite development.

As well as facilitating private projects, we also manage several major projects in which the State is proponent or has significant investments. These include:

- The Browse LNG Precinct
- Ashburton North Strategic Industrial Area
- Anketell's prospective mineral port near Roebourne
- The development of other ready-for-use industrial estates at Boodarie, the Burrup, Cape Preston, and Maitland
- Development of the Ord Irrigation project
- The East Kimberley Development Package, involving development of social infrastructure in the state's north.

Our project management and facilitation role is supported by our Strategic Policy division. We are currently working on issues including energy security policies, skills and local job building,

local content, port and rail infrastructure, foreign investment, regional planning and utility demand to meet the requirements of a growing regional economy.

We negotiate State Agreement Acts for large, complex projects that require regulation and support beyond the usual regulatory framework and we administer 68 State Agreement Acts on behalf of the Government of Western Australia. Each agreement outlines the rights, obligations, terms and conditions for the development of a project, and establishes a framework for the ongoing operation of the project and the relationship between the proponent and the State.

Recent work on State Agreements includes a revised State Agreement Act for the Cockburn Cement operations and the new State Agreement Act for Hancock Prospecting Pty Ltd's Roy Hill Iron Ore project to enable significant investment in rail infrastructure and mining development in the Pilbara.

Highlights and Achievements

Roy Hill State Agreement

The *Railway (Roy Hill Infrastructure Pty Ltd) Agreement Act 2010* was negotiated by the Department of State Development, ratified by Parliament, and then agreed to in October 2010. The purpose of this State Agreement is for Roy Hill Infrastructure Pty Ltd, a subsidiary of Hancock Prospecting Pty Ltd, to construct and operate a railway connecting its iron ore mine in the central Pilbara to Port Hedland. In June 2011, we submitted the final proposal from Roy Hill Infrastructure Pty Ltd to the Minister for State Development for approval. The proposal for the development of the railway and the grant of the Special Railway Licence was subsequently issued.

Once established, the 345 kilometre railway will deliver 55 million tonnes of iron ore a year to Port Hedland. The capital expenditure will be around \$US8 billion with 1500 people employed during the construction phase. The expected start date is late 2011, for operation by 2014 where the project will employ a permanent workforce of 750 people.

Browse Liquefied Natural Gas Precinct

The objective of the Browse LNG Precinct development proposal is to create a single, commercially viable processing location with suitable land tenure to attract and facilitate at least two LNG projects to commercialise gas from the Browse Basin.

The development is a complex and challenging project. Concerns about ad hoc development and creating multiple footprints along this environmentally sensitive coastline led the Western Australian Government to establish a strategy to facilitate the development of a single precinct for processing LNG from the Browse Basin fields.

Key milestones we achieved during this year to develop the precinct near James Price Point include:

- In December 2010 the draft Browse LNG Precinct Strategic Assessment Report was submitted to the Environmental Protection Authority and released for public comment. Supplementary information requested by the Environmental Protection Authority was released in February 2011. The public review period for the Strategic Assessment Report closed in March 2011.

- In May 2011, the Goolarabooloo Jabirr Jabirr native title claimant group, the Traditional Owners of the land at James Price Point, located 60km north of Broome, agreed to relinquish their native title interests in the 3500 hectares of land and water required for the precinct, in return for substantial benefits for Indigenous people and continuing engagement in environmental and cultural heritage management at the precinct.
- In June 2011 the State Government, the Goolarabooloo Jabirr Jabirr native title claimant group and Woodside Energy Ltd finalised agreements to secure access to land at James Price Point for the establishment of the precinct to process gas from the Browse Basin Gas reserves.

Outlook 2011-12

The Proponent's Response to Submissions will be published together with any revised plans that are amended as a result of submissions, and is expected by the end of third quarter 2011. It will be submitted for assessment to the State Environmental Protection Authority and the Commonwealth Department of Sustainability, Environment, Water, Population and Communities. The Development Agreement and Final Investment Decision are due by June 2012.

LNG18

Perth has been successful in securing the prestigious 18th International Conference and Exhibition on Liquefied Natural Gas (LNG18), to be held in April 2016. The Department of State Development joined a national delegation to represent Western Australia at the final bid in Houston in November 2010. Representatives from the Australia Gas Industry Trust and the Australian Petroleum Production and Exploration Association also attended.

This triennial event began in 1968 and is the major international forum for the LNG industry, drawing together producers, consumers and governments. The conference will attract over 4000 participants from over seventy countries, including energy ministers, heads of global corporations, academics, journalists and over 200 exhibiting companies. LNG18 is expected to inject more than \$50 million into the Western Australian economy and will reinforce Western Australia's status as a leading oil and gas industry hub.

Commonwealth Heads of Government Meeting

The Department is responsible for encouraging trade and investment opportunities arising from the Commonwealth Heads of Government Meeting (CHOGM) and associated Commonwealth Business Forum, scheduled for October 2011. We developed a communication strategy that includes a suite of publications, film footage and an information stand at the Commonwealth Business Forum. The Forum is an opportunity for national and international delegates to foster new relationships and enhance global trade and investment.

Ord East Kimberley Expansion

The State and Commonwealth Governments are collaborating to create a stronger and more vibrant East Kimberley region. The State-funded expansion of the Ord Irrigation Area aims to stimulate economic growth in the Ord region while the Commonwealth-funded investment in social and community infrastructure aims to support community development.

In 2010-11, work progressed on the \$220 million Ord Irrigation Project to support the release of an additional 8000 hectares of agricultural land, increasing the total size of the Ord Irrigation Area to 22,000 hectares.

During the year, we completed the Ord Irrigation Expansion project's Environmental Impact Statement and submitted it to the Commonwealth for approval under the *Environmental Protection and Biodiversity Conservation Act 1999*.

In our role as coordinator of the Ord East Kimberley Development Package, we also delivered a number of projects including seventeen new social houses in Wyndham and six in Kununurra to relieve housing shortages (\$11.5 million). A total of \$3.2 million was spent on a residential rehabilitation facility in Wyndham to provide culturally appropriate services for East Kimberley clients. \$3.4 million was spent on three additional houses for health staff in Wyndham, to assist in the attraction and retention of qualified staff, and Wyndham Hospital was provided with consulting rooms. Sobering-up centres in Wyndham and Kununurra were extended and refurbished (\$600,000) and two classrooms were added at the Wyndham TAFE for trade and business programs at a cost of \$1 million. These completed projects, and a further ten social infrastructure projects recently commenced, have generated more than 20,000 hours of employment for Indigenous people.

New Singapore trade office

Since the Premier's visit to Singapore in October 2010, Cabinet approved the agency's proposal to establish an overseas trade office in Singapore by 2012. Once established, the Singapore office will drive investment in Western Australia and provide a gateway for Western Australian companies to access South East Asian markets with their products and services.

Report of Operations

Lead Agency Overview

The Lead Agency Framework was implemented to support project approvals processes for major resource projects. When a major project is identified in Western Australia it is assigned a lead agency to work with the project proponents to manage all government interactions and statutory approvals. This approach aims to improve project timelines, reduce regulatory duplication and increase certainty about government processes.

Under the Lead Agency Framework we manage projects through planning, environmental, Aboriginal heritage and native title and other relevant approval processes and work closely

with project proponents and approvals agencies to ensure that processes expedite and facilitate responsible development.

We are lead agency for over fifty significant projects including mine developments for a range of mineral commodities and petroleum and gas products, infrastructure projects including ports and rail operations, industrial lands, and research sites for renewable energy.

These projects include:

- State sponsored infrastructure projects that are nominated by the Government
- Major projects comprising new projects or expansions of existing projects where the proposed investment is significant or of strategic significance to the State.

Projects require different levels of service to progress through the stages of development. Initially, projects can be classified as Level 1 (moderate growth project), 2 (new projects or project expansions) or 3 (very large and complex projects of State significance) depending on their degree of complexity, scale and significance. This determines the nature of assistance that we can provide to assist the project proponent. Classification can vary at any given time.

This year the *Lead Agency Framework - Guidance Note for Implementation* was finalised and released.



Lake Argyle, Kimberley

Major resource projects

Developing and expanding significant resources and industry projects is complex. With the Lead Agency Framework firmly in place, this year we continued to assist proponents with the development and expansion of major resource projects.

- Known as the 'Growth Master Plan', BHP Billiton Iron Ore is planning to progressively expand the capacity of its Pilbara operations to 350 million tonnes per annum through a series of new mines, additional rail infrastructure and a new outer harbour port at Port Hedland. The company submitted its project definition documentation in June 2011, which initiated the process for us to facilitate governmental approvals for the project. The Premier has acknowledged that the plan, which includes the outer harbour development at Port Hedland, is strategically important and significant to the industrial development of the state.

- With the Final Investment Decision made in 2009 for the Gorgon Gas Processing project, this year we played a major role working with Chevron and its joint venture partners to address a variety of government and secondary approvals including the completion of land tenure processes. The Gorgon Foundation project is one of the world's largest natural gas projects and the largest single resource natural gas project in Australia's history. The project will develop the Greater Gorgon Area gas fields. It involves the construction of a three-train, 15 million tonne per annum liquefied natural gas plant on Barrow Island together with a domestic gas plant enabling the supply of up to 300 terajoules per day of domestic gas, with delivery anticipated in 2015.

To date, the project has committed more than \$10 billion to Australian industry and it is expected to spend \$33 billion on Australian goods and services in the first 30 years of

operation. It is anticipated that the foundation project will add \$64 billion to Australia's Gross Domestic Product over the next 40 years, generating revenues of \$40 billion to State and Federal Governments. Direct and indirect employment will peak at up to 10,000 people during construction.

The LNG facility on Barrow Island has the potential to be among the most greenhouse gas efficient of its kind in the world. Gorgon will position Australia as a world leader in commercial scale carbon dioxide sequestration processes, significantly reducing greenhouse gas emissions by the injection and storage of carbon dioxide underground.

Outlook 2011-12

Chevron Australia, on behalf of the Gorgon Joint Venturers, is currently working with the Department to seek environmental approvals to expand capacity by five million tonnes per annum with the addition of a fourth LNG train.

Major resource projects cont.

- After launching the assembly project in March 2009, Perdaman Chemical and Fertilisers Pty Ltd (Perdaman) plans to build and operate a \$3.5 billion coal to urea plant at the new Shotts Industrial Park, near Collie. The project involves the gasification of around 2.7 million tonnes per annum of coal to produce ammonia, which is then processed into approximately 2 million tonnes per annum of urea, primarily for export. It will be transported to Bunbury Port by rail. This will be the first value adding use of Collie coal, which to date has been used only for power generation.

The project will have a permanent workforce of 200 and a construction workforce of up to 1500 people. Construction is expected to commence in 2011 with the first shipment of urea planned for 2014. Perdaman has secured a supply contract for its coal with Griffin Coal and has signed a 20-year off take agreement with Incitec Pivot. Perdaman approached the project with an aggressive timeline and, with our assistance, gained the necessary approvals for both the urea project and the creation of Shotts Industrial Park. As lead agency, we have worked closely with LandCorp, the authority responsible for

creating the new industrial park. Other work included obtaining environmental approvals, access to Verve Energy's wastewater pipeline, a licence for 12 gigalitres of water from Wellington Dam and access to Water Corporation's pipeline to transport the water. To create Shotts Industrial Park, the State has brought together numerous blocks of land. A Town Planning Scheme amendment was developed and the land rezoned to industrial. All environmental approvals have been finalised. Perdaman is in the final stages of reaching financial close, which is expected late in 2011.

- We worked closely with industry to facilitate a number of variations to existing agreements this year. In October 2010, Parliament ratified a Variation Agreement to the *Cement (Cockburn Cement Limited) Agreement Act 1971* to update the agreement, consistent with the company's environmental approvals, enabling the company to continue its lime and cement operations and supply key inputs to the state's alumina, gold and construction industries to at least 2031. Significant progress has also been made to vary BHP Billiton Worsley Alumina Pty Ltd's *Alumina Refinery (Worsley) Agreement Act 1973*, to separate tenure for the Newmont Boddington

gold mine from its bauxite mining activities. This Bill is expected to be considered by Parliament in early 2012.

- The Oakajee Mid West Development project is a ground-breaking initiative, focussed on unlocking the Mid West region's mineral wealth. The project involves the development of new rail and port infrastructure at Oakajee, just north of Geraldton, and will facilitate over a dozen current and prospective iron ore mines across the region.

The rail and port infrastructure will underpin the development of the Mid West as the state's second iron ore province and, with the creation of the world-class Oakajee Industrial Estate, will support the long term prosperity of the region.

Significant progress has already been made and as the lead agency for this project, we continue to work through a range of challenges to bring the project to fruition.

Our notable achievements during the year for the project include:

- Concluded the State Government's Phase 1 Due Diligence assessment of Oakajee Port and Rail Pty Ltd's draft feasibility study that was provided to the State in March 2010.

- Submitted the draft Oakajee Business Case to Infrastructure Australia in April 2011. We are continuing to liaise with Infrastructure Australia and provide supplementary information as requested. The Commonwealth contribution of \$339 million is subject to the delivery of a satisfactory business case.
- The Environmental Protection Authority recommended the Oakajee Rail and Oakajee Port Terrestrial proposals. The Authority reported that the proposals can be managed to meet the Authority's objectives provided that recommended conditions are implemented.
- The Australian Government, pursuant to the *Environmental Protection and Biodiversity Conservation Act 1999*, announced that the Oakajee Port is not a controlled action and approved the Oakajee Rail proposal, subject to conditions.
- Developed a co-existence regime for the Mid West Radio Quiet Zone, represented by a memorandum of understanding and management framework, endorsed by the State and Commonwealth Governments and supported by key industry and radio astronomy stakeholders.

Following a request from Mitsubishi Development Pty Ltd and Murchison Metals Ltd—Oakajee Port and Rail Pty Ltd's joint venture partners—the State agreed to extend the deadline set under the State Development Agreement to execute implementation agreements to December 2011. With the extension, the joint venture partners have agreed to new reporting requirements and a framework to jointly address challenges as they arise.

While much work remains to bring this project to fruition, the requirement for port and rail infrastructure to service the Mid West's emerging resources projects remains as crucial as ever and the outlook remains positive.

Outlook 2011-12

We are currently coordinating Phase 2 of the State's Due Diligence process and this will involve assessment of Oakajee Port and Rail Pty Ltd's updated feasibility study as released in June 2011.

Managing infrastructure and industrial development

We have continued work on the State's strategically-located industrial areas this year, under the Heavy Use Industrial Land Strategy. In 2009, \$5 million (over a four year period) was allocated to deliver a Structure Plan for the industrial areas of Oakajee, Boodarie, Kemerton, Anketell and Ashburton North.

We have made significant progress in the planning of these areas, with each at varying levels of planning and/or development, including:

- The draft Structure Plan for the Oakajee Industrial Estate was released for public comment in April 2011 for a period of three months. The Shire of Chapman Valley will review the submissions received and, once completed, will refer the Structure Plan to the Western Australian Planning Commission for approval.
- The Boodarie Structure Plan process has continued this year, with concept plans being finalised. A draft Structure Plan will be finalised and lodged by late 2012.
- Work has progressed on the Environmental Management Plan for the Kemerton Industrial

Park and, once finalised, will form part of the Park's final draft Structure Plan, which is expected to be completed late 2011.

- The Structure Plan process for the proposed Anketell Port development will commence in the next financial year, however, significant planning has been done in regard to the port precinct and the State has a clear vision for the ultimate development of the port. The Anketell Port is envisioned to cater for the export of over 350 million tonnes of iron ore per annum with a total of 1250 hectares of associated industrial land, suitable transport and services corridor all part of the State's objective of planning for multi-user infrastructure that is also able to facilitate general cargo trade. The Port Master Plan is expected to be completed in late 2011.
- The draft Structure Plan for the proposed Ashburton North Strategic Industrial Area is currently under consideration by the Shire of Ashburton and will then be referred to the Western Australian Planning Commission. We played a significant role in the development of the draft Structure Plan and continue to work closely with stakeholders to deliver the State's vision of a multi-user hydro-carbon precinct adjacent to the Carnarvon Gas Basin.



Kangaroo at Parker Point, Pilbara

Social infrastructure

One of our roles is to work with industry, other State agencies, Commonwealth and local Governments to plan the development of social infrastructure and capitalise on opportunities for regional development.

We are the lead agency for a number of major projects that focus on the management of social impacts and delivery of regional benefits, including the Ord East Kimberley Development Package, Anketell Port and Ashburton North Strategic Industrial Areas and Browse LNG Precinct projects.

- Through the East Kimberley Development Package we are responsible for the delivery of \$177.9 million of the \$195 million Commonwealth investment into social and common use infrastructure in the East Kimberley to assist in addressing social and economic disadvantage within the Indigenous population. The package addresses the critical shortfall of services in health and aged care, housing, transport, education and training and family and children's services in the remote communities of the East Kimberley and in the towns of Wyndham and Kununurra. This year saw the delivery of approximately \$20 million worth of these benefits to the region.

- A Social Impact Management Plan commissioned for the Anketell project will help address concerns of the Indigenous traditional owners. The plan consists of social and cultural impact assessments. This study will culminate in the development and implementation of the Social Impact Management Plan and will ensure that potential impacts from the Anketell project on the local community are mitigated and that local and regional communities are best equipped to take advantage of the social and economic benefits of the Anketell development.

- It is anticipated that development of the Ashburton North Strategic Industrial Area will have a significant impact on the Shire of Ashburton, particularly the town of Onslow, which will result in a need for increased infrastructure to provide amenities for the projected increased population and to satisfy the needs and aspirations of the existing community. To ensure the sustainability of the community, the Shire of Ashburton has proposed to scope and estimate the cost of social infrastructure requirements at Onslow and will provide the information to the Department.

- Through the strategic assessment process for the Browse LNG Precinct, various strategies and initiatives have been proposed to enhance social infrastructure and service provision within the Shire of Broome. The Broome Community Services Strategy will provide mechanisms to monitor pressures on the region and the precinct governance structure will include a social management committee to ensure that the social impacts are monitored and managed throughout the life of the project.

“...we are responsible for the delivery of \$177.9 million of the \$195 million Commonwealth investment into social and common use infrastructure in the East Kimberley to assist in addressing social and economic disadvantage within the Indigenous population.”

Infrastructure Australia

The Department of State Development co-ordinates the Western Australian Government's submissions to Infrastructure Australia regarding Commonwealth funding for State Government infrastructure projects. We established a major infrastructure project area within the Department to provide the primary coordinating point for interactions with Infrastructure Australia.

In 2009, Infrastructure Australia identified the following strategic priorities in developing Australia's infrastructure:

- expand Australia's productive capacity
- increase Australia's productivity
- diversify Australia's economic capabilities
- build on Australia's competitive advantages
- develop our cities and/or regions
- reduce green-house emissions
- improve social equity and quality of life.

While all previously submitted projects remain a priority, the State, in discussions with Infrastructure Australia, identified four key developments, which strongly align with Infrastructure Australia's identified priorities:

- **Pilbara Cities:** Although the Commonwealth has yet to commit funding, the State Government has earmarked almost \$1 billion over the next four years, pending approved business cases. Clarity is sought from Infrastructure Australia in relation to which specific infrastructure initiatives are more likely to be supported so that comprehensive business cases can be developed.
- **Mid West Energy Project:** The Commonwealth has yet to commit funding. Western Power is developing a business case for Stages 1 and 2.
- **Gateway WA:** With a conditional Commonwealth funding commitment, the State provided a more comprehensive and robust submission through the 2010 round.

- **Oakajee:** Funding is subject to submission of a business case to Infrastructure Australia.

These are all projects that will create jobs, attract private investment, enhance our competitive advantage and underpin the state's economic and social development beyond the short term.

In December 2010, we took an iterative approach, rather than the submission based process of previous years, and provided the Western Australian Government's submission to Infrastructure Australia. The submission can be viewed on our website or by [clicking here](#).

Port Hedland Air Quality and Noise Management Plan

The Port Hedland Dust Management Taskforce was established in May 2009 to implement the objectives of the Port Hedland Air Quality and Noise Management Plan, and monitor its progress.

The Taskforce includes representatives from the Department of Environment and Conservation, the Environmental Protection Authority, the Department of Housing, Department of Transport, and the Western Australian Planning Commission. Regional representatives include the Port Hedland Port Authority, Port Hedland Industries Council, the Town of Port Hedland, and Pilbara Cities. Industry representatives from the iron ore mining industry are also represented on the Taskforce.

We chair meetings of the Port Hedland Dust Taskforce, and provide regular updates to the Minister for State Development on the progress of the Dust Management Plan.

The Taskforce has completed the following objectives on the Dust Management Plan:

- developed best practice air quality guidelines for the port area
- provided a community website reporting real time dust levels.

The following objectives of the Dust Management Plan are in progress:

- establishing the Port Hedland air monitoring network
- implementing a formal health risk study of Port Hedland dust
- improving land use planning in the region, through Scheme Amendment 22.

By applying conditions on the density and design of residential dwellings, the amendment will help to mitigate the health risk of iron ore dust to residents.



Iron ore rail carriages, Cape Lambert, Pilbara

International activities and investment

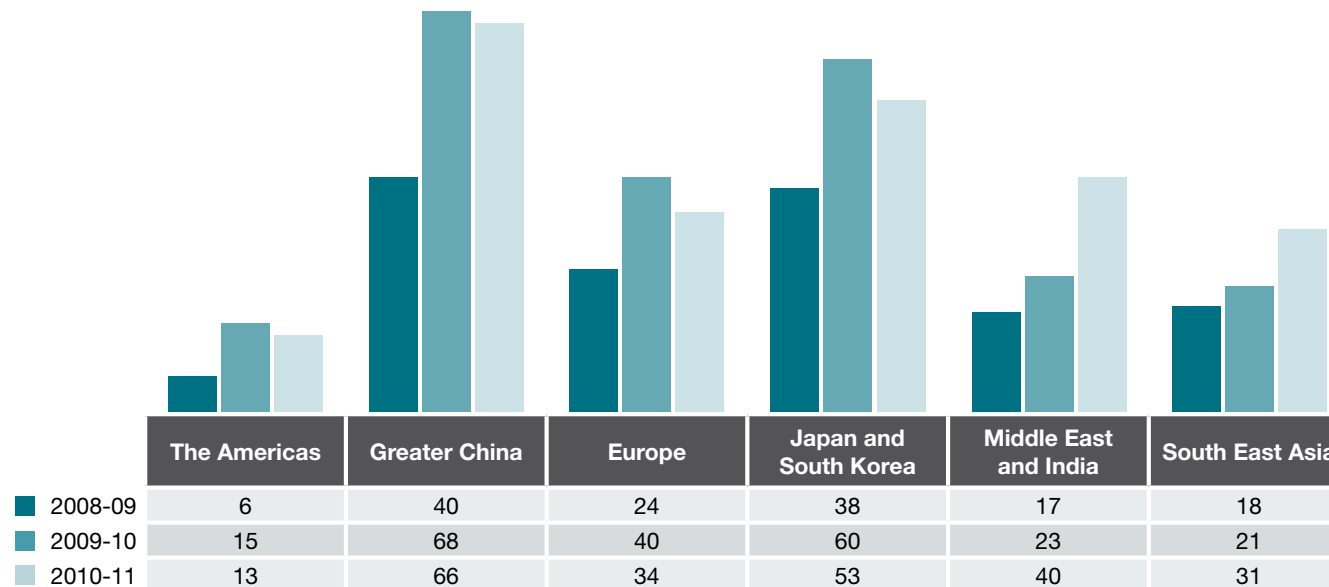
Recognising the importance of trade and investment, the state operates a network of ten overseas offices supported by Perth-based expertise to promote, attract and develop export markets and investment linkages to contribute to the state's economic development. Strategically located to support the growth of Western Australia, the offices are in China, Europe, India, Japan, South Korea, the Middle East, and South East Asia and monitor business development and activities that are likely to have an impact on the state's overseas interests as well as identifying opportunities for Western Australia.

We continued to strengthen relationships with our trade and investment partners during 2010-11 and coordinated over 230 trade activities. These included visits to Western Australia from potential investors, foreign dignitaries, trading partner officials and local exporters. During the year, we also coordinated Ministerial missions for the Premier's visits to China, Singapore, Japan, Korea and Europe.

International Trade Activities



International Trade Activities



This year Western Australia participated in several international events including the Shanghai 2010 World Expo. The Expo attracted 70 million visitors from 189 countries and 57 organisations, where more than seven million people visited the Australian Pavilion. The Expo theme '*Better Cities, Better Life*' gave Western Australia the opportunity to showcase our

strengths in education services, tourism, the arts, food, wine and resources. We played a leading role in Western Australia's contribution to the Shanghai 2010 World Expo where we organised ten delegations including a combined schools delegation to Shanghai and Hangzhou, the capital of Western Australia's sister province Zhejiang.

Key international achievements for 2010-11 include:

- The Premier's visit to Singapore in October 2010—the first visit by a Western Australian Premier since 2001. The Premier met with dignitaries and high-level executives to highlight the economic complementarities between Western Australia and Singapore

and to share information about the state's development projects, including the potential to invest in our mining and gas sectors, the state's food production potential and prospective further exchanges on education-related activities.

- In March 2011, the Premier travelled to Japan and South Korea to reinforce existing trade and investment relationships and encourage greater investment in the development of Western Australian resources and infrastructure and food production potential. While in Japan, the Premier discussed future investment plans and opportunities with senior executives of companies with interests in Western Australia and attended a function celebrating the 30th Anniversary of Hyogo Prefecture's Sister State relationship with the state. To commemorate the anniversary, the State Government gifted four koalas to Hyogo Prefecture.
- This year marks the Australia-Korea Year of Friendship to celebrate the 50th anniversary of diplomatic relations between Australia and the Republic of Korea. The Premier travelled to Korea for his first official visit to the country where he met with Korean Government officials, the Australian Ambassador to Korea, and senior executives of major resources,

engineering and trading companies to promote trade and investment with Western Australia.

- In June 2011, the Premier travelled to Dubai, London and Brussels. A key focus of the trip was to discuss arrangements for the Commonwealth Heads of Government Meeting (CHOGM) and it included a meeting

with Her Majesty, Queen Elizabeth II. The Premier also met with senior government and business leaders with energy and trade responsibilities and promoted Western Australia as the location for the Square Kilometre Array project. The Square Kilometre Array will be the world's largest and most sensitive radio telescope.



The Premier's visit to Japan, Hyogo Prefecture

Foreign investment leads

Western Australia's economy relies on capital, technologies and expertise from foreign sources. Investment inquiries to the Department rose by 77 per cent in the past twelve months. One of our functions is to provide preliminary advice on the Western Australia business environment, potential partnerships, land access, suppliers of raw materials, supply chains, infrastructure, energy and utilities, and approvals.

These investment leads come from different sources including Western Australia's overseas network, Austrade posts, consulates and chambers, other companies and agencies and direct enquiries. We managed most of the 140 queries received during 2010-11 internally and directed

some to relevant agencies (Departments of Agriculture and Food and Commerce). Foreign investment includes mergers and acquisitions, joint ventures, regional headquartering, green-field developments and company reinvestment. These have been concentrated in mining, energy and related service sectors; downstream processing; infrastructure; clean technologies; aviation; transport and logistics; and business and financial services.

After considering our advice about opportunities in Western Australia, US company General Electric commenced construction at Jandakot of an \$80 million training, research and service facility for its oil/gas equipment and technology activities.

Australia China Natural Gas Technology Partnership Fund

The Australia-China Natural Gas Technology Partnership Fund was established in 2003 as part of an historic agreement for Australia to supply liquefied natural gas to China. The Fund supports activities aimed at establishing long-term partnerships within the LNG sector that create positive economic and environmental outcomes and increase knowledge and skills. It also serves to enhance the relationship between Australia and China. The Fund is a joint initiative of the Department of State Development, the Commonwealth Department of Resources, Energy and Tourism, and the North West Shelf Australia LNG Pty Ltd.

In 2010-11, the Fund hosted an LNG Forum in Shanghai that was attended by Vice-Minister Zhang Guo Bao and Deputy Premier of Western Australia, Dr Kim Hames. The Fund also completed an executive training program for thirty five LNG managers from China in Perth; approved funding for eight research proposals and ten Top-Up scholarships totalling \$1.575 million and concluded the 12th Working Group Meeting in Canberra in December 2010.

Case study – Roy Hill approval

After a year of intensive and complex work, the Department was able to recommend final approval of proposals for a new railway, essential to the development of Hancock Prospecting's \$8.5 billion Roy Hill iron ore project.

The project includes the Roy Hill mine situated about 110 kilometres north of Newman, a 300 kilometre railway and access road and new export facilities at Port Hedland, and will create an estimated 1500 new construction jobs and a permanent workforce of 750 people.

In mid 2010, the Western Australian Government and Roy Hill Infrastructure (wholly owned by Hancock Prospecting Pty Ltd) reached agreement on the conditions under which the railway would be constructed and operated.

Ratifying legislation was presented to the State Parliament in June and was then considered and debated by Parliament over a total of four sitting days until the *Railway (Roy Hill Infrastructure Pty Ltd) Agreement Act 2010* was finally enacted in October 2010.

During this time, staff from the Department's Strategic Projects group:

- prepared all relevant documentation in consultation with parliamentary and legal advisers
- briefed the Minister for State Development and the Minister for Mines who carried the legislation in the Legislative Council
- provided briefings to non government parties and independent Members of Parliament

- participated as advisers to the Minister at committee sessions of both the Legislative Assembly and Legislative Council, where members considered the legislation clause by clause.

In parallel with this legislation, we also assisted the passage of changes under the *Aboriginal Heritage Act 1972*, to enable land to be excised in the Abydos–Woodstock Reserve, which contains areas of major heritage and cultural significance.



Roy Hill pastoralists Ramon and Murray Kennedy with Jezabel

Image courtesy of Hugh Brown Photography

The Agreement Act passed by Parliament required that, before construction could begin, the proponent had:

- developed a rail corridor and operating regime that was acceptable to affected tenure holders, the Environmental Protection Authority and the Department of Indigenous Affairs
- obtained a special railway licence under the *Mining Act 1978* and all necessary approvals from the Port Hedland Port Authority for two new proposed berths
- planned for ensuring social and community benefit as a result of the development and for ongoing consultation with affected local governments
- developed proposals related to constructing the railway, including provision of water, power and materials, the location of access roads and construction camps and other activities.

It was our task to ensure that these proposals were appropriate and acceptable to the Government.

This involved discussion with a wide range of interested parties including local governments, pastoral lease holders and Indigenous organisations, and companies with mining titles and other infrastructure along the route.

We also worked closely with government agencies such as the Department of Mines and Petroleum, the Environment Protection Authority, the Department of Indigenous Affairs and the Port Hedland Port Authority.

Management of this project could only have worked if we maintained frequent contact with the proponent, to help in negotiating successful outcomes for its proposals.

As 2010-11 came to a close, we were able to recommend approval for almost all proposals and the issuing of a special railway licence was expected early in July 2011.

Performance Snapshot

The performance indicators in this report help evaluate our performance in achieving desired outcomes. The following is a summary of the agency's performance for 2010-11.

Financial Performance

The Department of State Development receives funding from several sources for specifically designated purposes:

1. Core agency funding from the State Government to advance significant resources, industry and infrastructure projects in Western Australia.
2. Specific State Government funding to undergo work on major State initiatives that require an additional resource allocation over a finite period.
3. Industry contributions for specific projects.
4. Royalties for Regions funding (non-capital).
5. Royalties for Regions funding (capital). The Department's participation is in relation to the Ord East Kimberley Expansion Project. The majority of the Royalties for Regions infrastructure expenditure is capitalised in the financial statements.

6. Administered funding in the form of State Government funds for specific non-discretionary purposes and Commonwealth funding for the Ord area. Administered funding and expenditure is not included in the body of the Financial Statements and is disclosed in brief in notes 39 to 40 to the Financial Statements.

This report relates to the Department's performance in its controlled non-capital cost of services—items (1) to (4).

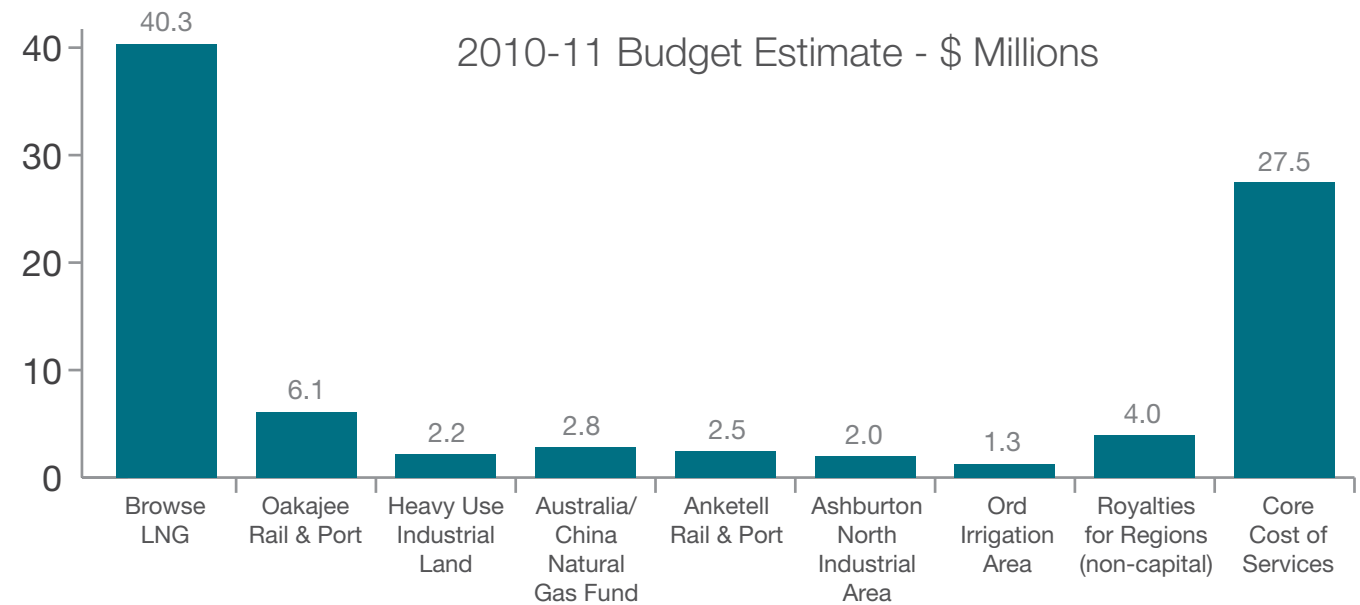
Financial Targets	Original Target 2010-11 '000	Revised Target ⁽¹⁾ 2010-11 '000	Actual 2010-11 '000	Variance to Revised Target 2010-11 ^{(2) (3)} '000	Actual Prior Year 2009-10 '000
Total Cost of Service	\$88,734	\$48,907	\$48,127	(\$780)	\$55,522
Net Cost of Service	\$86,984	\$47,057	\$42,407	(\$4,650)	\$42,361
Total Equity	\$103,478	\$93,382	\$114,133	\$20,751	\$48,510
Net Increase/ (Decrease) in Cash Held	(\$4)	\$51	\$8,133	\$8,082	\$7,478
Approved Full Time Equivalent (FTE) Staff Level	175	175	167.3	7.7	158

- (1) Revised Target reflects significant repositioning of funding from 2010-11 to future years in order to match likely payment dates with key milestone dates of major projects.
- (2) Significant variation in Total Equity was largely due to Royalties for Regions capital infrastructure funding exceeding the revised budget allocation by \$15,147,000 and surplus of \$4,847,00 for the year.
- (3) Increase in cash held due was due to the surplus of \$4,847,000 for the year, movements in payables and receivables and movements in non-cash charges to income, including leave provisions and use of free of charge resources.

We commenced the 2010-11 financial year with a total estimated *cost of services* budget of \$88.7 million in our controlled fund. The budget included significant funding for major State projects in the makeup of the agency's cost estimate.

The scope and complexity of the projects where we are lead agency requires careful budget estimating, notably in respect to the timing of milestones and related expenditures. While the overall funds required to complete projects can be estimated, the timing of the related expenditure is not necessarily clear-cut at the project commencement stage. With complex negotiations and the need to reach agreement with a range of stakeholders, projected timelines can sometimes vary from original estimates. To ensure that project budgets remain aligned with the most relevant timing, internal communication is critical.

In 2010-11, an analysis of our major project expenditure concluded that a significant portion of the original 2010-11 budget required repositioning to the 2011-12 year



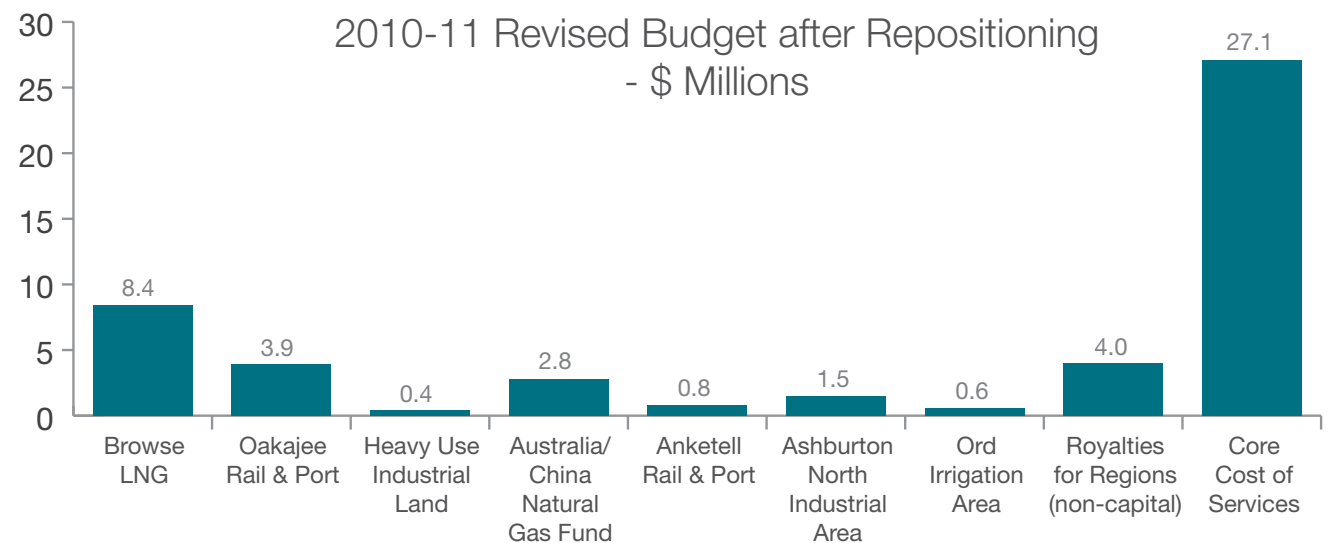
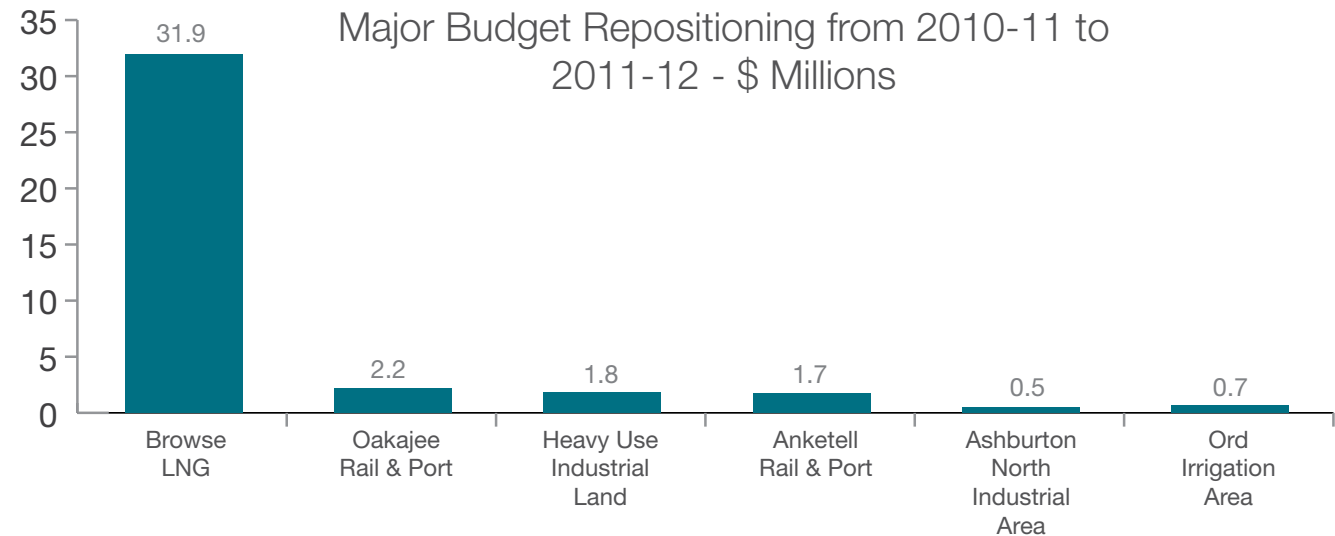
in order to realign actual future expenditure with the most likely year of incurrence. This repositioning also ensures accuracy in respect to the agency's contribution towards the State's whole of Government estimates.

Approximately \$40 million of the Department's original 2010-11 budget (spread across several major projects) was repositioned from the 2010-11 year to the 2011-12 year.

"To ensure that the project budgets remain aligned with the most relevant timing, internal communication is critical."

After repositioning actions were approved, our revised budget for total cost of services for the year was \$49.5 million.

The actual outcome for the year was a total cost of services of \$48.1 million, resulting in a relatively minor variance of \$0.8 million, against the agency's repositioned budget. Total surplus for the year was \$4.8 million, driven by an additional \$4.0 million unbudgeted income from external contributions to major projects. The underspend for the year was driven by a shortfall in wages and salaries costs resulting from staff numbers (FTE) being below approved levels throughout the year, offset to some extent by higher than budgeted legal and professional fees associated with major projects.



Key Performance Indicators

Effectiveness	Actual 2009-10	Target 2010-11	Actual 2010-11
Extent to which agreed milestones for projects where DSD is the lead agency are achieved within the reporting period	84%	85%	84%
Extent to which State Agreement proponents comply with their reporting obligations and meet the agreement objectives	90%	95%	96%

Efficiency	Actual 2009-10	Target 2010-11	Actual 2010-11
Average cost per project facilitated	\$324,270	\$485,840	\$376,537
Average cost per Major State Initiative	\$10,400,670	\$18,565,670	\$4,579,800

More detailed information on performance indicators is reported in the Disclosures and Legal Compliance section of this report.

Our People

Senior staff changes

During the 2010-11 year, the agency experienced two senior staff changes to the Corporate Executive, the most notable being the appointment of Stephen Wood as Acting Director General following the announcement that Anne Nolan had been selected to head up the new Department of Finance. At the end of the financial year, Stephanie Black, Director Corporate Services, was seconded to the Department of Finance.

Staff in focus

Our staff are critical to our success. This year, significant effort was invested throughout all levels of the agency to foster and develop good leadership, encourage a healthy corporate culture, provide challenging, meaningful work and offer continuous learning, development and career progression. A successful initiative rolled out during the year was “Living our Values”—a monthly recognition program for individuals and teams who exemplified our corporate values and provided everyone with the opportunity to recognise and celebrate achievement and success.

Workforce management planning

Competition for labour continues to pick up as the state's economic growth strengthens, making it harder to attract and retain skilled staff, especially those with skills high in demand in the resources sector. Mining and petroleum activity is expected to expand in the next few years, so this is likely to be an ongoing challenge for us.

In 2010, the agency devised a workforce plan initially aimed at addressing staff attraction and retention. Some of our key strategies and opportunities include:

- a review of increased use of part-time and flexible working arrangements
- improvements to the quality of data collected during exit interviews to make more informed decisions
- continued investment in leadership training
- improvements to the Employee Development Plan process to assist identifying requirements for new skills and development

- a review of our approach to recruitment and advertising, emphasising “Careers with the Department of State Development”
- the development of a Phased Retirement Policy and Knowledge Retention Strategy.

Over the past 12 months we advertised 62 permanent and fixed term vacancies including six pool processes.

Employee performance and review

The Department emphasises performance management and introduced Employee Development Plans in 2009. The plans underpin our approach to individual learning and career development and are aligned to our strategic and operational objectives. Mid and end year review cycles were conducted during 2010-11. Officers are expected to take ownership of their development with their manager's support and this process has encouraged staff to identify a training and development regime for career progression.

Career development

We are committed to developing the capacity and capability of our employees. As a lead agency dealing with large and complex projects, our people need to have highly developed leadership skills and the ability to manage these projects methodically and with discipline.

In 2010-11, we continued the Leadership Development Strategy, established to enhance the skills and competencies of current leaders and develop potential leaders at executive and middle management level. We also continued to provide our employees with Prince 2 project management training, which is the methodology applied to our projects.

Our staff are encouraged to participate in Public Sector Commission courses such as the *Public Sector Management Program* and *Pathways to and Foundations of Leadership*. Another initiative is the agency's Career Development Support Scheme. This provides staff with the opportunity to apply for financial assistance to undertake a development activity which is in line with competency requirements identified in their Employee Development Plan. Selection is merit based and undertaken in consideration of benefits for both the Department and the individual.

Youth employment initiatives

Through our youth employment initiatives, the Graduate and Business Traineeship Programs, we employed four trainees, including three Indigenous, and six recent university graduates. Participants of the Business Traineeship complement study with practical business learning and at the completion of the program attain a qualification in Certificate 3 or 4 in Business. The eighteen-month Graduate Program offers participants the opportunity to work in our diverse agency, build their skills and knowledge and establish networks and relationships that are vital for a successful public service career.

Club1AT

Club1AT is our social group with membership open to all staff, past and present. It is 100 per cent member funded and works to promote the wellbeing of its members. Throughout the year, the club ran a range of activities including social and charitable events.



DSD Graduates 2010 with Director General Stephen Wood (centre)

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East Intercourse Island, Dampier

Economic conditions

One of our functions is to analyse economic conditions, with a particular focus on key resources projects and major trading partners. We provide economic data and analysis for policy decisions affecting the state's development and for public policy planning, project coordination and public presentations.

We provide economic data to the Premier's Office, the Commonwealth Department of Foreign Affairs and Trade, trade delegations, and to the public, through our website.

Western Australia's economy grew by 4.3 per cent in 2009-10, due to strong exports and investment, in particular from the resources industry. However, rising production costs, the high Australian dollar and stresses in the labour market are constraining growth in non-resource sectors.

Project investment in iron ore, gold and LNG drives Western Australia's export growth. The state's merchandise exports rose 34.1 per cent (\$28.4 billion) to \$111.7 billion in 2010-11, contributing 45.7 per cent to Australia's total merchandise exports.

Continued growth in global commodity prices and resources demand from developing

economies in Asia will fuel growth in the state's economy in the coming years.

Government investment in state infrastructure underpins Western Australian economic growth and strengthens its attractiveness for foreign investors.

Developing Western Australia

World commodity demand and prices have rebounded, due largely to China's strong economic growth. The state's business investment rose by 16.6 per cent in the year to March quarter 2011, with mining investment accounting for 75.6 per cent.

There is currently:

- \$107 billion of advanced resources projects in Western Australia with \$194 billion planned or possible
- \$65 billion of advanced oil and gas projects with \$118 billion planned or possible
- \$42 billion of advanced minerals projects with \$76 billion in the planned or possible categories.

The Gorgon Joint Venture Gas Processing project on Barrow Island is Australia's largest development project, valued at \$43 billion. To

date, the project has employed around 4000 people in Western Australia and is expected to employ 300 permanent workers when operational.

Western Australia's second largest development project is the Browse LNG Precinct in the Kimberley, valued at \$30 billion. The project is under consideration and is expected to employ 6000 construction and 400 permanent workers if it proceeds.

Another major development project under consideration for the State is the Wheatstone LNG development in the Pilbara, valued at \$23 billion. It is expected to employ 5000 construction and 400 permanent workers.

The State is developing multi-user infrastructure that will facilitate resource development. Current projects include the Oakajee Mid West Development, Ashburton North Strategic Industrial Area and the Browse LNG Precinct project.

Domestic gas

Gas availability and affordability has a significant effect on state development in Western Australia.

A number of major gas developments to deliver domestic gas are under construction or development. These include Apache's Devil Creek development in 2011 and BHP Billiton's Macedon project in 2013. Major LNG developments such as the Gorgon project are also expecting to supply domestic gas from the middle of this decade. The State Government is also negotiating with other emerging LNG suppliers to secure gas supply consistent with the State's domestic gas policy.

In July 2010, the Legislative Assembly's Economics and Industry Standing Committee began an inquiry into the rising costs of domestic gas in the state. Submissions were provided to the Inquiry and we gave evidence to the Inquiry in September 2010. We have also made submissions to the Office of Energy's Strategic Energy Initiative Directions Paper, where we highlighted the important role of domestic gas in the Western Australian energy market.

Outlook 2011-12

The Government tabled its response to the Inquiry into Domestic Gas Prices in August 2011, accepting or noting all of the Inquiry's recommendations.

A statement on the Domestic Gas Policy is expected early in the current reporting cycle.

Local content

During the year, we worked closely with the Department of Commerce to review and propose improvements to local content policies, to ensure that Western Australians benefit from major projects in the state.

We consulted industry on local content issues and met with major gas and iron ore companies, contractors, suppliers and industry groups.

Together with the Department of Commerce, we prepared a Local Content Report to update Parliament on local content trends and issues. The report was tabled in May 2011.

Maximising international investment and export opportunities

TradeStart is an Australian Government initiative, through Austrade, to assist small and medium sized enterprises to achieve long-term success. During the year, the Department tendered successfully for an adviser, funded by Austrade, and has contracted an experienced export and investment specialist to June 2014.

Through this program we are able assist aspiring exporters in Western Australia develop capabilities and market entry strategies with support from Austrade, the State's overseas trade office network and other partners with focus on both export and investment. We are now liaising with the Departments of Commerce, Agriculture and Food, and Regional Development and Lands to maximise the benefits of the TradeStart program to fledgling exporters.

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LNG infrastructure, Pilbara



Auditor General

Leading the Way



INDEPENDENT AUDITOR'S REPORT

To the Parliament of Western Australia

DEPARTMENT OF STATE DEVELOPMENT

Report on the Financial Statements

I have audited the accounts and financial statements of the Department of State Development.

The financial statements comprise the Statement of Financial Position as at 30 June 2011, the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows, Schedule of Income and Expenses by Service, Schedule of Assets and Liabilities by Service, and Summary of Consolidated Account Appropriations and Income Estimates for the year then ended, and Notes comprising a summary of significant accounting policies and other explanatory information, including Administered transactions and balances.

Director General's Responsibility for the Financial Statements

The Director General is responsible for keeping proper accounts, and the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the Treasurer's Instructions, and for such internal control as the Director General determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the financial statements based on my audit. The audit was conducted in accordance with Australian Auditing Standards. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Department's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Director General, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

Department of State Development**Opinion**

In my opinion, the financial statements are based on proper accounts and present fairly, in all material respects, the financial position of the Department of State Development at 30 June 2011 and its financial performance and cash flows for the year then ended. They are in accordance with Australian Accounting Standards and the Treasurer's Instructions.

Report on Controls

I have audited the controls exercised by the Department of State Development. The Director General is responsible for ensuring that adequate control is maintained over the receipt, expenditure and investment of money, the acquisition and disposal of public and other property, and the incurring of liabilities in accordance with the Financial Management Act 2006 and the Treasurer's Instructions, and other relevant written law.

As required by the Auditor General Act 2006, my responsibility is to express an opinion on the controls exercised by the Director General based on my audit conducted in accordance with Australian Auditing Standards.

Opinion

In my opinion, the controls exercised by the Department of State Development are sufficiently adequate to provide reasonable assurance that the receipt, expenditure and investment of money, the acquisition and disposal of property, and the incurring of liabilities have been in accordance with legislative provisions.

Report on the Key Performance Indicators

I have audited the key performance indicators of the Department of State Development. The Director General is responsible for the preparation and fair presentation of the key performance indicators in accordance with the Financial Management Act 2006 and the Treasurer's Instructions.

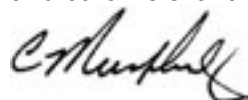
As required by the Auditor General Act 2006, my responsibility is to express an opinion on the key performance indicators based on my audit conducted in accordance with Australian Auditing Standards.

Opinion

In my opinion, the key performance indicators of the Department of State Development are relevant and appropriate to assist users to assess the Department's performance and fairly represent indicated performance for the year ended 30 June 2011.

Independence

In conducting this audit, I have complied with the independence requirements of the Auditor General Act 2006 and the Australian Auditing Standards, and other relevant ethical requirements.



COLIN MURPHY
AUDITOR GENERAL
16 September 2011

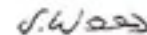
**Department of State Development
Certification of Financial Statements
For the Year Ended 30 June 2011**

The accompanying financial statements of the Department of State Development have been prepared in compliance with the provisions of the *Financial Management Act 2006* from proper accounts and records to present fairly the financial transactions for the financial year ended 30 June 2011 and the financial position as at 30 June 2011.

At the date of signing, we are not aware of any circumstances which would render the particulars included in the financial statements misleading or inaccurate.



Peter Carden
Chief Finance Officer
Date: 14 September 2011



Stephen Wood
Accountable Authority
Date: 14 September 2011

**Department of State Development
Statement of Comprehensive Income
For the year ended 30 June 2011**

	Note	2011 (\$'000)	2010 (\$'000)
COST OF SERVICES			
Expenses			
Employee benefits expense	7	18,486	18,166
Supplies and services	8	16,672	13,358
Depreciation	9	63	65
Accommodation expenses	10	2,639	2,601
Grants and subsidies	11	10,096	21,279
Other expenses	12	171	53
Total cost of services		48,127	55,522
Income			
Revenue			
Commonwealth grants and contributions	13	750	750
Other revenue	14	4,966	12,411
Total revenue		5,716	13,161
Gains			
Gain on disposal of non-current assets	15	4	-
Total Gains		4	-
Total income other than income from State Government		5,720	13,161
NET COST OF SERVICES		42,407	42,361
Income from State Government	16		
Service appropriation		42,108	53,109
Resources received free of charge		1,116	815
Royalties for Regions Fund		4,030	1,970
Total income from State Government		47,254	55,894
SURPLUS/(DEFICIT) FOR THE PERIOD		4,847	13,533

The Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Department of State Development
Statement of Financial Position
As At 30 June 2011

Leading the Way



	Note	2011 (\$'000)	2010 (\$'000)
ASSETS			
Current Assets			
Cash and cash equivalents	26	29,893	21,803
Restricted cash and cash equivalents	17	3,132	3,152
Receivables	18	2,610	2,943
Other current assets	20	211	308
Total Current Assets		35,846	28,206
Non-Current Assets			
Restricted cash and cash equivalents	17	381	318
Amounts receivable for services	19	410	237
Property, plant, equipment and vehicles	21	183	143
Infrastructure Works in Progress	21	86,938	26,791
Total Non-Current Assets		87,912	27,489
TOTAL ASSETS		123,758	55,695
LIABILITIES			
Current Liabilities			
Payables	23	4,605	2,417
Provisions	24	4,208	3,568
Total Current Liabilities		8,813	5,985
Non-Current Liabilities			
Provisions	24	798	1,200
Bonds Repayable	23	14	-
Total Non-Current Liabilities		812	1,200
TOTAL LIABILITIES		9,625	7,185
NET ASSETS		114,133	48,510
EQUITY	25		
Contributed equity		91,381	30,083
Accumulated surplus/(deficit)		22,752	18,427
TOTAL EQUITY		114,133	48,510

The Statement of Financial Position should be read in conjunction with the accompanying notes.

**Department of State Development
Statement of Changes in Equity
For the year ended 30 June 2011**

	Note	Contributed equity (\$'000)	Accumulated surplus/ (deficit) (\$'000)	Total equity (\$'000)
Balance of equity at 1 July 2009	25	10,269	4,894	15,163
Total comprehensive income for the year			13,533	13,533
Transactions with the owners in their capacity as owners:				
Royalties for Regions Capital Appropriations		19,814	-	19,814
Other Contributions by Owners		-	-	-
Movement for the period		19,814	13,533	33,347
Balance of equity at 30 June 2010		30,083	18,427	48,510
Balance of equity at 1 July 2010		30,083	18,427	48,510
Total comprehensive income for the year			4,847	4,847
Transactions with the owners in their capacity as owners:				
Capital appropriations		-	-	-
Royalties for Regions Capital Appropriations		60,148	-	60,148
Transfer of special purpose fund to controlled account		1,150	(522)	628
Distributions to owners		-	-	-
Movement for the period		61,298	4,325	65,623
Balance of equity at 30 June 2011		91,381	22,752	114,133

The Statement of Changes in Equity should be read in conjunction with the accompanying notes.

**Department of State Development
Statement of Cash Flows
For the year ended 30 June 2011**

	Note	2011 (\$'000)	2010 (\$'000)
CASH FLOWS FROM STATE GOVERNMENT			
Service appropriations		42,108	53,109
Holding account drawdowns		-	-
Cash transfer from other State Government agencies		-	-
Royalties for Regions Fund - Capital		60,148	19,814
Royalties for Regions Fund - Recurrent		4,030	1,970
Net cash provided by State Government		106,286	74,893
Utilised as follows:			
CASH FLOWS FROM OPERATING ACTIVITIES			
Payments			
Employee benefits		(18,248)	(17,839)
Supplies and services		(13,354)	(11,758)
Accommodation		(2,639)	(2,601)
Grants and subsidies		(10,096)	(21,279)
GST payments on purchases		(1,692)	(3,862)
GST Payments to taxation authority		(115)	(279)
Other payments		(7)	(53)
Receipts			
Commonwealth grants and contributions		750	750
Other grants and contributions		4,891	10,805
GST receipts on sales		515	1,540
GST receipts from taxation authority		1,127	2,301
Special purpose fund balance transferred to controlled fund		628	
Other receipts		332	567
Net cash provided by/(used in) operating activities	26	(37,908)	(41,708)
CASH FLOWS FROM INVESTING ACTIVITIES			
Payments for infrastructure assets		(60,147)	(25,707)
Purchase of non-current physical assets		(108)	-
Proceeds from sale of non-current assets		9	-
Net cash provided by/(used in) investing activities		(60,246)	(25,707)
Net increase in cash and cash equivalents		8,132	7,478
Cash and cash equivalents at the beginning of the period		25,273	17,795
CASH AND CASH EQUIVALENTS AT THE END OF THE PERIOD	26	33,405	25,273

The Statement of Cash Flows should be read in conjunction with the accompanying notes.

Department of State Development
Summary of Consolidated Account Appropriations and Income Estimates
For the Year Ended 30 June 2011

	2011 Original Budget ^(a)	2011 Revised Estimate ^(b)	2011 Actual	Variance to Original Budget \$'000	Variance to Revised Estimate \$'000	2010 Actual \$'000	2010-2011 Variance \$'000
Delivery of Services							
Net amount appropriated to deliver services	82,071	41,720	41,720	(40,351)	-	52,735	(11,015)
Royalties for Regions Fund - recurrent	4,030	4,030	4,030	-	-	1,970	2,060
Amount authorised by Other Statutes - <i>Salaries and Allowances Act 1975</i>	388	388	388	-	-	374	14
Total appropriations provided to deliver services	86,489	46,138	46,138	(40,351)	-	55,079	(8,941)
Capital							
Capital appropriations	40	40	-	-	-	-	-
Capital appropriations (Royalties for Regions)	95,510	45,000	60,148	(35,362)	15,148	19,814	40,334
Total Capital	95,550	45,040	60,148	(35,362)	15,148	19,814	40,334
Administered Transactions							
Administered grants, subsidies and other transfer payments	19,295	16,285	26,111	6,816	9,826	79,283	(53,172)
Administered Capital Appropriation	5,840	-	-	-	-	-	-
Total Administered transactions	25,135	16,285	26,111	6,816	9,826	79,283	(53,172)
Grand Total	207,174	107,463	132,397	(68,897)	24,974	154,176	(21,779)

The Summary of Consolidated Account Appropriations and Income Estimates should be read in conjunction with the accompanying notes.

Department of State Development
Summary of Consolidated Account Appropriations and Income Estimates
For the Year Ended 30 June 2011

Leading the Way



	2011 Original Budget ^(a)	2011 Revised Estimate ^(b)	2011 Actual	Variance to Original Budget \$'000	Variance to Revised Estimate \$'000	2010 Actual \$'000	2010-2011 Variance \$'000
Details of Expenditure by Service							
Industry Development and Investment Facilitation	88,734	48,907	48,127	(40,607)	(780)	55,522	(7,395)
Less total income	1,750	1,850	5,716	3,966	3,866	13,161	(7,445)
Net Cost of Services	86,984	47,057	42,411	(44,573)	(4,646)	42,361	50
Adjustment for movement in cash balances & other accrual items ^(c)	(495)	(919)	3,727	4,222	4,646	12,718	(8,991)
Total appropriations provided to deliver services	86,489	46,138	46,138	(40,351)	-	55,079	(8,941)
Capital Expenditure							
Purchase of non-current physical assets	40	40	108	68	68	-	108
Payments for infrastructure assets	95,510	45,000	60,147	(35,363)	15,147	25,707	34,440
Adjustment for movement in cash balances & other funding sources ^(c)	-	-	-	-	-	(5,893)	5,893
Capital Contribution (appropriation) from State Government	95,550	45,040	60,255	(35,295)	15,215	19,814	40,334
Details of Income Estimates							
Income disclosed as Administered Income	19,295	16,285	16,787	(2,508)	502	17,680	(893)
Administered Income - Commonwealth Contribution	54,260	43,600	6,260	(48,000)	(37,340)	65,290	(59,030)
Administered Income from sources other than the consolidated fund	-	-	502	502	502	460	42
Administered income from the consolidated account	19,295	16,285	16,285	(3,010)	-	17,220	(935)

^(a) "Original Budget" refers to original budget estimate published in the 2010-11 budget papers. A significant portion of the original budget was subsequently repositioned to future years, resulting in a revised figure of \$46,138 (\$86,489 original budget) as the Department's controlled "Estimated Actual" for the period as published in the 2011-12 budget papers.

^(b) "Revised Estimate" refers to original budget, plus/minus subsequent adjustments approved by the Department of Treasury and Finance, including significant repositioning of funds between years, based on major project milestones. Refer 2011/12 official budget papers (pages 114 to 124), plus one additional adjustment subsequently approved. See also note ^(a).

^(c) Adjustments comprise movements in cash balances and other accrual items such as receivables, payables and superannuation.

Note 33: "Explanatory Statement" provides details of any significant variations between estimates and actual results for 2011 and the actual results for 2010 and 2011.

The Summary of Consolidated Account Appropriations and Income Estimates should be read in conjunction with the accompanying notes.

Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2011

Leading the Way



Note 1. The Department

The Department of State Development was established on 1st January 2009, and is responsible for Industry Development and Investment Facilitation and a major portion of the State Economic Development Policy function.

Note 2. Australian Accounting Standards

General

The Department's financial statements for the year ended 30 June 2011 have been prepared in accordance with Australian Accounting Standards. The term 'Australian Accounting Standards' refers to Standards and Interpretations issued by the Australian Accounting Standard Board (AASB).

The Department has adopted any applicable new and revised Australian Accounting Standards from their operative dates.

Early adoption of standards

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. No Australian Accounting Standards that have been issued or amended but not operative have been early adopted by the Department for the annual reporting period ended 30 June 2011.

Note 3. Summary of significant accounting policies

(a) General Statement

The financial statements constitute general purpose financial statements that have been prepared in accordance with Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB as applied by the Treasurer's instructions. Several of these are modified by the Treasurer's instructions to vary application, disclosure, format and wording.

The Financial Management Act and the Treasurer's instructions are legislative provisions governing the preparation of financial statements and take precedence over Australian Accounting Standards, the Framework, Statements of Accounting Concepts and other authoritative pronouncements of the AASB.

Where modification is required and has a material or significant financial effect upon the reported results, details of that modification and the resulting financial effect are disclosed in the notes to the financial statements.

Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2011

Leading the Way



(b) Basis of Preparation

The financial statements have been prepared on the accrual basis of accounting using the historical cost convention. *Infrastructure Works in Progress* represents the capitalisation of Ord River 'Royalties for Regions' project development expenditure shown at historical cost.

The accounting policies adopted in the preparation of the financial statements have been consistently applied throughout all periods presented unless otherwise stated.

The financial statements are presented in Australian dollars and all values are rounded to the nearest thousand dollars (\$'000), unless otherwise stated.

Note 4 'Judgements made by management in applying accounting policies', discloses judgements that have been made in the process of applying the Department's accounting policies resulting in the most significant effect on the amounts recognised in the financial statements.

Note 5 'Key sources of estimation uncertainty' discloses key assumptions made concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(c) Reporting Entity

The reporting entity comprises the Department.

Mission

The Department of State Development's mission is to provide leadership to drive responsible development for Western Australia's future.

The Department works with industry, communities and Government agencies to:-

- deliver significant State development initiatives
- facilitate major private sector resource and industry projects
- enable the development of strategic industrial land and infrastructure
- attract investment to Western Australia and assist the development of export markets
- develop a business and regulatory environment that supports the State's economic growth.

The Department is predominantly funded by Parliamentary appropriations. A net appropriation agreement between the Treasurer and the Accountable Authority is in place to allow the Department to retain its operating revenue. The Department also acts as Lead Agency for certain programs under the State Government's Royalties for Regions Program, and as Lead Agency for projects under the Commonwealth Government's Nation Building Program. Specific funding is received for each of these programs.

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2011**

Leading the Way



Services

The Department provides a single service: "Industry Development and Investment Facilitation".

Administered Transactions

The Department administers assets, liabilities, income and expenses on behalf of Government which are not controlled by, nor integral to the function of the Department. These administered balances and transactions are not recognised in the principal financial statements of the Department but schedules are prepared using the same basis as the financial statements and are presented at note 39 'Administered expenses and income' and note 40 'Administered assets and liabilities'.

(d) Contributed Equity

AASB Interpretation 1038 *Contributions by Owners Made to Wholly-Owned Public Sector Entities* requires transfers in the nature of equity contributions, other than as a result of a restructure of administrative arrangements, to be designated by the Government (the owner) as contributions by owners (at the time of, or prior to transfer) before such transfers can be recognised as equity contributions. Capital appropriations have been designated as contributions by owners by TI 955 *Contributions by Owners made to Wholly Owned Public Sector Entities* and have been credited directly to Contributed equity.

The transfer of net assets to/from other agencies, other than as a result of a restructure of administrative arrangements, are designated as contributions by owners where the transfers are non-discretionary and non-reciprocal. See note 25 'Equity'.

The transfer of net assets to/from other agencies as a result of a restructure of administrative arrangements, are designated as distributions to owners and contributions by owners respectively. Refer to note 25 'Equity'.

(e) Income

Revenue recognition

Revenue is recognised and measured at the fair value of consideration received or receivable. Revenue is recognised for the major business activities as follows:

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2011**

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Service Appropriations

Service Appropriations are recognised as revenues at fair value in the period in which the Department gains control of the appropriated funds. The Department gains control of appropriated funds at the time those funds are deposited to the bank account or credited to the 'Amounts receivable for services' (holding account) held at Treasury. See Note 16 'Income from State Government' for further information.

Net Appropriation Determination

The Treasurer may make a determination providing for prescribed receipts to be retained for services under the control of the Department. In accordance with the determination specified in the 2010-11 Budget Statements year, the Department retained control of receipts from the following:

- Commonwealth specific grants and contributions
- Contributions from private sector project proponents
- Sale of goods
- Other departmental revenue

Grants and other non-reciprocal contributions

Revenue is recognised at fair value when the Department obtains control over the assets comprising the contributions. Control is normally obtained upon receipt or when a legitimate claim is made.

Other non-reciprocal contributions that are not contributions by owners are recognised at fair value. Contributions of services are only recognised when a fair value can be reliably determined and the services would be purchased if not donated.

Royalties for Regions funds are recognised as revenue at fair value in the period in which the Department obtains control over the funds. The Department obtains control of the funds at the time the funds are deposited into the Department's bank account.

Interest

Revenue is recognised as the interest accrues.

Discount unwound on loan

Revenue is recognised on an accrual basis.

Gains

Realised or unrealised gains are usually recognised on a net basis. These include gains arising on the disposal of non-current assets.

Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2011

Leading the Way



Translation of foreign currency transactions

Foreign currency transactions are translated at the exchange rate applicable on the date the transactions occur. Exchange gains and losses are brought to account in determining the result for the year. Foreign currency assets and liabilities are converted to Australian dollars using exchange rates prevailing at balance date.

(f) Property, Plant and Equipment and Infrastructure

Capitalisation/Expensing of assets

Items of property, plant and equipment costing \$5,000 or more are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment and infrastructure costing less than \$5,000 are immediately expensed direct to the Statement of Comprehensive Income *[other than where they form part of a group of similar items which are significant in total]*. Royalties for Regions infrastructure assets are recognised as assets in the books of the Department when the funds to pay for those assets are transferred to recipient agencies.

Initial recognition and measurement

Property, plant and equipment and infrastructure are initially recognised at cost.

For items of property, plant and equipment and infrastructure acquired at no cost or for nominal cost, the cost is their fair value at the date of acquisition.

Subsequent measurement

Subsequent to initial recognition as an asset, the revaluation model is used for the measurement of land, buildings and infrastructure and historical cost for all other property, plant and equipment. Land, buildings and infrastructure are carried at fair value less accumulated depreciation (buildings and infrastructure only) and accumulated impairment losses. All other items of property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. The Department has no land and buildings assets recorded on the Statement of Financial Position at balance date.

The Department's Infrastructure Works In Progress assets relate to Royalties for Regions projects in the East Kimberley area. Costs are capitalised upon the pass-through of funds by the Department to other Government departments and authorities. The value of the assets is maintained at historical cost. The assets will eventually be divested by the Department and handed over to responsible departments or authorities on either a free of charge basis or a cost basis. The value of the transfer or sale of Royalties for Regions infrastructure assets will be determined by Government when the assets are complete and ready for handover.

Derecognition

Upon disposal or derecognition of an item of property, plant and equipment and infrastructure, any revaluation surplus relating to that asset is retained in the asset revaluation surplus.

**Department of State Development
Notes to the Financial Statements
For the year ended 30 June 2011**

Leading the Way



Depreciation

All non-current assets having a limited useful life are systematically depreciated over their estimated useful lives in a manner that reflects the consumption of their future economic benefits.

Depreciation is calculated using the straight line method, using rates which are reviewed annually. Estimated useful lives for each class of depreciable asset are:

Computer hardware and software ^(a)	3	years
Motor vehicles	5	years
Furniture, plant and equipment	5	years

(a) Software that is integral to the operation of related hardware.

(g) Intangible Assets

Capitalisation/Expensing of assets

Acquisitions of intangible assets costing \$5,000 or more and internally generated intangible assets costing \$50,000 or more are capitalised. The cost of utilising the assets is expensed (amortised) over their useful life. Costs incurred below these thresholds are immediately expensed directly to the Statement of Comprehensive Income. At balance date, the department has no intangible assets on its Statement of Financial Position.

Computer Software

Software that is an integral part of the related hardware is treated as property, plant and equipment. Software that is not an integral part of the related hardware is treated as an intangible asset. Software costing less than \$5,000 is expensed in the year of acquisition.

Proprietary computer software, for which the Department pays a user licence fee, is not capitalised.

Website costs

Website costs are charged as expenses when they are incurred unless they relate to the acquisition or development of an asset when they may be capitalised and amortised. Generally, costs in relation to feasibility studies during the planning phase of a website, and ongoing costs of maintenance during the operating phase are expensed. Costs incurred in building or enhancing a website, to the extent that they represent probable future economic benefits that can reliably be measured, are capitalised. The Department's website is not linked to the delivery of services of the agency and the Department has no capitalised website costs in its Statement of Financial Position at balance date.

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(h) Impairment of Assets

Property, plant and equipment, infrastructure and intangible assets are tested for any indication of impairment at the end of each reporting period. Where there is an indication of impairment, the recoverable amount is estimated. Where the recoverable amount is less than the carrying amount, the asset is considered impaired and is written down to the recoverable amount and an impairment loss is recognised. As the Department is a not-for-profit entity, unless an asset has been identified as a surplus asset, the recoverable amount is the higher of an asset's fair value less costs to sell and depreciated replacement cost.

The risk of impairment is generally limited to circumstances where an asset's depreciation is materially understated, where the replacement cost is falling or where there is a significant change in useful life. Each relevant class of assets is reviewed annually to verify that the accumulated depreciation/amortisation reflects the level of consumption or expiration of asset's future economic benefits and to evaluate any impairment risk from falling replacement costs.

The recoverable amount of assets identified as surplus assets is the higher of fair value less costs to sell and the present value of future cash flows expected to be derived from the asset. Surplus assets carried at fair value have no risk of material impairment where fair value is determined by reference to market-based evidence. Where fair value is determined by reference to depreciated replacement cost, surplus assets are at risk of impairment and the recoverable amount is measured. Surplus assets at cost are tested for indications of impairment at the end of each reporting period.

See note 22 'Impairment of assets' for the outcome of impairment reviews and testing.

See note 3(o) 'Receivables' and note 18 'Receivables' for impairment of receivables.

(i) Leases

The Department has entered into a number of operating lease arrangements for the rent of office buildings and motor vehicles. Lease payments are expensed on a straight line basis over the lease term as this represents the pattern of benefits derived from the leased properties and vehicles. The Department has not entered into any finance leases.

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(j) Financial Instruments

In addition to cash, the Department has two categories of financial instrument:

- Loans and receivables; and
- Financial liabilities measured at amortised cost.

Financial instruments have been disaggregated into the following classes:

Financial Assets

- Cash and cash equivalents
- Restricted cash and cash equivalents
- Receivables
- Amounts receivable for services

Financial Liabilities

- Payables

Initial recognition and measurement of financial instruments is at fair value which normally equates to the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method.

The fair value of short-term receivables and payables is the transaction cost or the face value because there is no interest rate applicable and subsequent measurement is not required as the effect of discounting is not material.

(k) Cash and Cash Equivalents

For the purpose of the Statement of Cash Flows, cash and cash equivalent (and restricted cash and cash equivalent) assets comprise cash on hand and short-term deposits with original maturities of three months or less that are readily convertible to a known amount of cash and which are subject to insignificant risk of changes in value, and bank overdrafts. The Department has no bank overdraft at balance date.

(l) Amounts Receivable for Services (Holding Account)

The Department receives appropriation funding on an accrual basis that recognises the full annual cash and non-cash cost of services. The appropriations are paid partly in cash and partly as an asset (Holding Account receivable) that is accessible on the emergence of the cash funding requirement to cover leave entitlements and asset replacement.

See also note 16 'Income from State Government' and note 19 'Amounts receivable for services'.

(m) Provisions

Provisions are liabilities of uncertain timing and amount and are recognised where there is a present legal, equitable or constructive obligation as a result of a past event and when the outflow of resources embodying economic benefits is probable and a reliable estimate can be made of the amount of the obligation. Provisions are reviewed at the end of each reporting period. See note 24 'Provisions'.

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(i) Provisions - Employee Benefits

All annual leave and long service leave provisions are in respect of employees' services up to the end of the reporting period.

Annual Leave

The provision for annual leave is treated as a current liability based on actual vested entitlements at the end of the accounting period. Experience indicates a portion of Annual Leave entitlements may be paid later than 12 months after balance date (see note 24, footnote (a)). No discounting has been applied to the portion of the liability that is estimated to be settled later than 12 months from balance date as calculations have indicated that the amount of discounting applicable to that portion of Annual Leave is immaterial.

The provision for annual leave is classified as a current liability as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period.

Long Service Leave

The liability for long service leave expected to be settled within 12 months after the reporting period is recognised and measured at the undiscounted amounts expected to be paid when the liability is settled.

Long service leave not expected to be settled within 12 months after the reporting period is recognised and measured at the present value of amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

When assessing expected future payments, consideration is given to expected future wage and salary levels including non-salary components such as employer superannuation contributions, as well as the experience of employee departures and periods of service. The expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity that match, as closely as possible, the estimated future cash outflows.

Unconditional long service leave provisions are classified as current liabilities as the Department does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Conditional long service leave provisions are classified as non-current liabilities because the Department has an unconditional right to defer the settlement of the liability until the employee has completed the requisite years of service.

Sick Leave

Liabilities for sick leave are recognised when it is probable that sick leave paid in the future will be greater than the entitlement that will accrue in the future.

Past history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised in the Statement of Comprehensive Income for this leave as it is taken.

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Deferred Leave

The provision for deferred leave relates to Public Service employees who have entered into an agreement to self-fund an additional twelve months leave in the fifth year of the agreement. The provision recognises the value of salary set aside for employees to be used in the fifth year. This liability is measured on the same basis as annual leave. Deferred leave is reported as a non-current provision until the fifth year.

Purchased Leave

The provision for deferred leave relates to Public Service employees who have entered into an agreement to self-fund up to an additional 10 weeks leave per calendar year. The provision recognises the value of salary set aside for employees and is measured at nominal amounts expected to be paid when the liabilities are settled. This liability is measured on the same basis as annual leave.

Superannuation

The Government Employees Superannuation Board (GESB) administers public sector superannuation arrangements in Western Australia in accordance with legislative requirements.

Eligible employees may contribute to the Pension Scheme, a defined benefit pension scheme now closed to new members since 1987, or the Gold State Superannuation Scheme (GSS), a defined benefit lump sum scheme closed to new members since 1995. The GSS is a defined benefit scheme for the purposes of employees and whole-of-government reporting. However, it is a defined contribution plan for agency purposes because the concurrent contributions (defined contributions) made by the Department to GESB extinguishes the agency's obligations to the related superannuation liability.

The Department has no liabilities under the Pension Scheme or the GSS. The liabilities for the unfunded Pension Scheme and the unfunded GSS transfer benefits due to members who transferred from the Pension Scheme, are assumed by the Treasurer. All other GSS obligations are funded by concurrent contributions made by the Department to the GESB.

Employees commencing employment prior to 16 April 2007 who were not members of either the Pension or the GSS became non-contributory members of the West State Superannuation Scheme (WSS). Employees commencing employment on or after 16 April 2007 became members of the GESB Super Scheme (GESBS). Both of these schemes are accumulation schemes. The Department makes concurrent contributions to GESB on behalf of employees in compliance with the *Commonwealth Government's Superannuation Guarantee (Administration) Act 1992*. These contributions extinguish the liability for superannuation charges in respect of the WSS and GESB.

The GESB makes all benefit payments in respect of the pension Scheme and GSS and is recouped by the Treasurer for the employer's share.

(ii) Provisions - Other

Employment On-Costs

Employment on-costs, including workers' compensation insurance, are not employee benefits and are recognised separately as liabilities and expenses when the employment to which they relate has occurred. Employment on-costs are included as part of 'Other Expenses' and are not included as part of the Department's 'Employee benefits expense'. The related liability is included in 'Employment on-costs provision'. See note 12 'Other Expenses' and note 24 'Provisions'.

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(n) Superannuation Expense

The superannuation expense in the Statement of Comprehensive Income comprises of employer contributions paid to the GSS (concurrent contributions), the WSS and the GESB. The employer contribution paid to the GESB in respect of the GSS is paid back into the consolidated account by the GESB.

(o) Receivables

Receivables are recognised at original invoice amount less an allowance for uncollectible amounts (i.e. impairment). The collectability of receivables is reviewed on an ongoing basis and any receivables identified as uncollectible are written-off against the allowance account. The allowance for uncollectible amounts (doubtful debts) is raised when there is objective evidence that the Department will not be able to collect the debts. The carrying amount is equivalent to fair value as it is due for settlement within 30 days. See note 3(j) 'Financial Instruments' and note 18 'Receivables'.

(p) Accrued salaries

Accrued salaries (refer note 23 'Payables') represent the amount due to staff but unpaid at the end of the financial year as the end of the last pay period for the financial year does not always coincide with the end of the financial year. Accrued salaries are settled within a fortnight of the financial year end. The Department considers the carrying amount of accrued salaries to be equivalent to its net fair value.

The accrued salaries suspense account (refer note 17 'Restricted cash and cash equivalent') consists of amounts paid annually into a suspense account over a period of 10 financial years to largely meet the additional cash outflow in each 11th year when 27 pay days occur in that year instead of the normal 26. No interest is received on this account.

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(q) Payables

Payables are recognised at the amounts payable when the Department becomes obliged to make future payments as a result of a purchase of assets or services. The carrying amount is equivalent to fair value as settlement is generally within 30 days.

(r) Resources received free of charge or for nominal cost

Resources received free of charge or for nominal value that can be reliably measured are recognised as income at fair value. Where the resource received represents a service that the Department would otherwise pay for, a corresponding expense is recognised. Receipts of assets are recognised in the Statement of Financial Position.

Assets or services received from other State Government agencies are separately disclosed under Income from State Government in the Statement of Comprehensive Income.

(s) Comparative figures

Comparative figures are, where appropriate, reclassified to be comparable with the figures presented in the current financial year.

Note 4: Judgements made by management in applying accounting policy

There were no judgements made in the process of applying accounting policies that could have a significant effect for the 2010/11 financial year.

Operating lease commitments. The Department has entered into a number of leases for buildings for branch office accommodation. Some of these leases relate to buildings of a temporary nature and it has been determined that the lessor retains substantially all the risks and rewards incidental to ownership. Accordingly, these leases have been classified as operating leases.

Note 5: Key sources of estimation uncertainty

Key estimates and assumptions concerning the future are based on historical experience and various other factors that have a significant risk of causing a material adjustment to the carrying amount of assets and liabilities within the next financial year.

Long Service Leave

Several estimations and assumptions used in calculating the Department's long service leave provision include expected future salary rates, salary inflation, discount rates, employee retention rates and expected future payments. Changes in these estimations and assumptions may impact on the carrying amount of the long service leave provision.

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Note 6: Disclosure of changes in accounting policy and estimates

Initial application of an Australian Accounting Standard

The Department has applied the following Australian Accounting Standards effective for annual reporting periods beginning on or after 1 July 2010 that impacted on the Department.

2009-5

Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 107, 117, 118, 136 & 139].

Under amendments to AASB 117, the classification of land elements of all existing leases has been reassessed to determine whether they are in the nature of operating or finance leases. As leases of land & buildings recognised in the financial statements have not been found to significantly expose the Department to the risks/rewards attributable to control of land, no changes to accounting estimates have been included in the Financial Statements.

Under amendments to AASB 107, only expenditures that result in a recognised asset are eligible for classification as investing activities in the Statement of Cash Flows. All investing cashflows reported in the Department's Statement of Cash Flows relate to increases in recognised assets.

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Future impact of Australian Accounting Standards not yet operative

The Department cannot early adopt an Australian Accounting Standard unless specifically permitted by TI 1101 *Application of Australian Accounting Standards and Other Pronouncements*. Consequently, the Department has not applied early any of the following Australian Accounting Standards that have been issued that may impact the Department. Where applicable, the Department plans to apply these Australian Accounting Standards from their application date.

Title		Operative for reporting periods beginning
AASB 2009-11	<p><i>Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12].</i></p> <p>The amendment to AASB 7 requires modification to the disclosure of categories of financial assets. The Department does not expect any financial impact when the Standard is first applied. The disclosure of categories of financial assets in the notes will change.</p>	01-Jan-13
AASB 2009-12	<p><i>Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 110, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052]</i></p> <p>This Standard introduces a number of terminology changes. There is no financial impact resulting from the application of this revised Standard.</p>	01-Jan-11
AASB 1053	<p><i>Application of Tiers of Australian Accounting Standards</i></p> <p>This Standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements. The Standard does not have any financial impact on the Department. However it may affect disclosures in the financial statements of the Department if the reduced disclosure requirements apply. DTF has not yet determined the application or the potential impact of the new Standard for agencies.</p>	01-Jul-13

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AASB 2010-2	<i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i>	01-Jul-13
	<p>This Standard makes amendments to many Australian Accounting Standards, including Interpretations, to introduce reduced disclosure requirements into these pronouncements for application by certain types of entities.</p> <p>The Standard is not expected to have any financial impact on the Department. However this Standard may reduce some note disclosures in financial statements of the Department. DTF has not yet determined the application or the potential impact of the amendments to these Standards for agencies.</p>	
AASB 2011-2	<i>Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements [AASB 101 & AASB 1054]</i>	01-Jul-11
	<p>This Amending Standard removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards for reduced disclosure reporting. DTF has not yet determined the application or the potential impact of the amendments to these Standards for agencies.</p>	
AASB 2010-5	<i>Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]</i> (October 2010)	01-Jan-11
	<p>This Standard introduces a number of terminology changes as well as minor presentation changes to the Notes to the Financial Statements. There is no financial impact resulting from the application of this revised Standard.</p>	
AASB 2010-6	<i>Amendments to Australian Accounting Standards – Disclosures on Transfers of Financial Assets [AASB 1 & AASB 7]</i>	01-Jul-11
	<p>This Standard makes amendments to Australian Accounting Standards, introducing additional presentation and disclosure requirements for Financial Assets.</p>	
	<p>The Standard is not expected to have any financial impact on the Department. DTF has not yet determined the application or the potential impact of the amendments to these Standards for agencies.</p>	

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AASB 9

Financial Instruments

01-Jan-13

This Standard supersedes AASB 139 Financial Instruments: Recognition and Measurement, introducing a number of changes to accounting treatments.

The Standard was reissued on 6 Dec 2010 and the Department is currently determining the impact of the Standard. DTF has not yet determined the application or the potential impact of the Standard for agencies.

AASB 2010-7

Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127]

01-Jan-13

This Amending Standard makes consequential adjustments to other Standards as a result of issuing AASB 9 *Financial Instruments* in December 2010. DTF has not yet determined the application or the potential impact of the Standard for agencies.

AASB 1054

Australian Additional Disclosures

01-Jul-11

This Standard, in conjunction with AASB 2011-1 *Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project*, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards.

AASB 2011-1

Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project [AASB 1, 5, 101, 107, 108, 121, 128, 132 & 134 and Interpretations 2, 112 & 113]

01-Jul-11

This Amending Standard, in conjunction with AASB 1054 *Australian Additional Disclosures*, removes disclosure requirements from other Standards and incorporates them in a single Standard to achieve convergence between Australian and New Zealand Accounting Standards.

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2011
(\$'000)

2010
(\$'000)

Note 7: Employee benefits expense

Wages and salaries ^(a)	14,701	14,606
Superannuation - defined contribution plans ^(b)	1,483	1,429
Long service leave ^(c)	733	589
Annual leave ^(c)	1,569	1,542
	<u>18,486</u>	<u>18,166</u>

(a) Includes the value of the fringe benefit to the employee plus the fringe benefits tax component.

(b) Defined contribution plans include West State, Gold State and GESB Super Scheme (contributions paid).

(c) Includes a superannuation contribution component.

Employment on-costs such as workers' compensation insurance are included at note 12 'Other Expenses'. The employment on-costs liability is included at note 24 'Provisions'.

Note 8: Supplies and services

Consultants and contractors (includes resources received free of charge)	9,306	8,698
Advertising and promotion	273	362
Travel	562	502
Communication	208	210
Consumables	773	687
Maintenance	243	164
Lease payments	32	31
Insurance	87	64
Printing	200	90
Other staff costs	922	689
Legal Fees	3,660	1,652
Other	406	209
	<u>16,672</u>	<u>13,358</u>

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2011
(\$'000)

2010
(\$'000)

Note 9: Depreciation and amortisation expense

Depreciation

Furniture, plant and equipment
Computer hardware and software
Vehicles

Total depreciation

-	-
11	13
52	52
<u>63</u>	<u>65</u>

Note 10: Accommodation expenses

Lease rentals
Repairs and maintenance
Cleaning
Electricity
Other accommodation expenses

2,243	2,342
114	102
2	5
90	85
190	67
<u>2,639</u>	<u>2,601</u>

Note 11: Grants and subsidies expense

Australia China Natural Gas Technology Partnership Fund
Other ^(a)

1,335	43
8,761	21,236
<u>10,096</u>	<u>21,279</u>

(a) Grants and Subsidies in 2010-11 includes the following major projects: Oakajee Rail and Port Project \$ 85,000 (\$3,708,000 in 2009-10); Browse LNG Project - Kimberley Land Council \$ 4,462,000 (\$4,300,000 in 2009-10); Browse LNG Project - \$ Nil (\$9,204,000 in 2009-10); Industrial Precincts \$ Nil (\$1,999,000 in 2009-10); Royalties for Regions - Aboriginal Development Package \$ 4,030,000 (\$1,970,000 in 2009-10).

Note 12: Other expenses

Net loss on foreign currency exchange
Employment on-costs ^(a)

170	51
1	2
<u>171</u>	<u>53</u>

(a) Includes increments to provisions for workers' compensation insurance and other employment on-costs. The on-costs liability associated with the recognition of annual and long service leave liability is included at note 24 'Provisions'. Superannuation contributions accrued as part of the provision for leave are employee benefits and are not included in employment on-costs.

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	2011 (\$'000)	2010 (\$'000)
Note 13: Commonwealth grants and contributions		
Commonwealth grants received	750	750
	<u>750</u>	<u>750</u>
Represents funding received from the Commonwealth Government for the Australia China Natural Gas Technology Partnership Trust Fund. See note 37.		
Note 14: Other revenue		
Special purpose account revenue ^(a)	1,142	-
Contributions received from Industry - Browse LNG Project	3,492	12,144
Miscellaneous revenue	332	267
	<u>4,966</u>	<u>12,411</u>
^(a) Represents funding and recoups received from Industry for the Australia China Natural Gas Technology Partnership Trust Fund. See note 37.		
Note 15: Net gain/(loss) on disposal of non-current assets		
<u>Written down value of Non-Current assets disposed</u>		
Plant equipment and vehicles	5	-
<u>Proceeds from Disposal of Non-Current Assets</u>		
Plant equipment and vehicles	9	-
Net gain on disposal	<u>4</u>	<u>-</u>

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	2011 (\$'000)	2010 (\$'000)
Note 16: Income from State Government		
Appropriation received during the year:		
Service appropriations ^(a)	42,108	53,109
Royalties for Regions - Aboriginal Development package ^(b)	4,030	1,970
	<u>46,138</u>	<u>55,079</u>

Resources received free of charge has been determined on the basis of the following estimates provided by agencies ^(c).

State Solicitors Office		
- legal services	1,004	703
Department of Treasury and Finance		
- procurement officer	112	112
	<u>1,116</u>	<u>815</u>
	<u>47,254</u>	<u>55,894</u>

(a) Service appropriations fund the net cost of services delivered. Appropriation revenue comprises a cash component and a receivable (asset). The receivable (holding account) comprises the depreciation expense for the year and any agreed increase in leave liability during the year.

(b) This is a sub-fund within the over-arching 'Royalties for Regions Fund'. The recurrent funds are committed to projects and programs in WA regional areas.

(c) Assets or services received free of charge or for nominal cost are recognised as revenue at fair value of the assets and/or services that can be reliably measured and which would have been purchased if they were not donated. Contributions of assets or services in the nature of contributions by owners are recognised direct to equity.

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	2011 (\$'000)	2010 (\$'000)
Note 17: Restricted cash and cash equivalents		
<u>Current - in operating account</u>		
Australia China Natural Gas Technology Partnership Trust Fund ^(a)	3,108	3,152
Royalties for Regions ^(b)	24	-
	<u>3,132</u>	<u>3,152</u>
<u>Non-current - held in suspense at Department of Treasury & Finance</u>		
Accrued salaries suspense account ^(c)	381	318
	<u>381</u>	<u>318</u>

(a) The trust holds funds for the purpose of training Chinese managers from the natural gas industry in China, as well as joint Australia/China research programs. Training is conducted in both countries.

(b) Capital works funded from the Royalties for Regions Fund for the Ord River Scheme East Kimberley expansion stage 2.

(c) The amount held in this suspense account is only to be used for the purpose of meeting the 27th pay in a financial year that occurs every 11 years.

Note 18: Receivables

<u>Current</u>		
Receivables ^{(a) (b)}	2,145	2,643
Sundry debtors	-	-
GST receivable	465	300
Total Current	<u>2,610</u>	<u>2,943</u>

(a) The Department does not hold any collateral as security or other credit enhancements relating to receivables.

(b) The Department does not consider any of its receivables materially impaired and has not recorded an allowance for impairment of receivables at the end of the reporting period.

Note 19: Amounts receivable for services (Holding Account)

Non-current	410	237
	<u>410</u>	<u>237</u>

This asset represents the non-cash component of service appropriations. See note 3 (l) 'Amounts receivable for services (Holding Account)'. It is restricted in that it can only be used for asset replacement or payment of leave liability.

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Note 20: Other assets

Current

Refundable rental bonds on overseas accommodation
Prepayments

	2011 (\$'000)	2010 (\$'000)
Refundable rental bonds on overseas accommodation	106	124
Prepayments	105	184
	<u>211</u>	<u>308</u>

Note 21: Property, plant, equipment and vehicles

Furniture, plant and equipment - at cost
Accumulated depreciation

Furniture, plant and equipment - at cost	35	35
Accumulated depreciation	(35)	(35)
	<u>-</u>	<u>-</u>

Computer hardware and software - at cost
Accumulated depreciation

Computer hardware and software - at cost	144	161
Accumulated depreciation	(38)	(147)
	<u>106</u>	<u>14</u>

Vehicles - at cost
Accumulated depreciation

Vehicles - at cost	260	260
Accumulated depreciation	(183)	(131)
	<u>77</u>	<u>129</u>

Total Property, plant equipment and vehicles

	<u>183</u>	<u>143</u>
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Infrastructure Works in progress - at cost ^(a)

Infrastructure Works in progress - at cost ^(a)	86,938	26,791
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Total of property, plant, equipment, vehicles and infrastructure works in progress

	<u>87,121</u>	<u>26,934</u>
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^(a) Ord River Expansion project development costs - this is a sub-fund within the over-arching 'Royalties for Regions Fund'. Costs are capitalised in the Department's financial statements upon the pass through of funds to other participating Government Departments and Authorities. The capitalised assets will subsequently be divested by the Department and transferred to responsible Departments and Authorities. The basis of the transfer, which may include cost price and free-of-charge will be determined when the assets are complete and ready for transfer. Assets are held at cost value until such time as the divestiture takes place.

Reconciliations of the carrying amounts (Written Down Value) of property, plant and equipment and vehicles at the beginning of the reporting period are set out in the table below.

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Note 21 (continued). Property, plant, equipment and vehicles

	Furniture, Plant and Equipment \$ 000	Computer Hardware and Software \$ 000	Vehicles \$ 000	Infrastructure Works in Progress ^(a) \$ 000	Total \$ 000
2011					
Carrying amount at start of year	-	14	129	26,791	26,934
Additions	-	108	-	60,147	60,255
Transfers	-	-	-	-	-
Disposals	-	(5)	-	-	(5)
Depreciation	-	(11)	(52)	-	(63)
Carrying amount at end of year	-	106	77	86,938	87,121

	Furniture, Plant and Equipment \$ 000	Computer Hardware and Software \$ 000	Vehicles \$ 000	Infrastructure Works in Progress ^(a) \$ 000	Total \$ 000
2010					
Carrying amount at start of year	-	27	181	1,084	1,292
Additions	-	0	0	25,707	25,707
Transfers	-	0	0	-	0
Disposals	-	-	-	-	-
Depreciation	-	(13)	(52)	0	(65)
Carrying amount at end of year	-	14	129	26,791	26,934

(a) Infrastructure Works in Progress comprises Ord River Expansion project development costs - this is a sub-fund within the over-arching 'Royalties for Regions Fund'.

Note 22. Impairment of assets

There were no indications of impairment of property, plant and equipment at 30 June 2011.

The Department held no goodwill or intangible assets with an indefinite useful life during the reporting period and at balance sheet date there were no intangible assets not yet available for use.

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Note 23: Payables

Current

Trade payables
Accrued salaries
Accrued expenses

2011
(\$'000)

2010
(\$'000)

2,112
809
1,684
4,605

1,002
842
573
2,417

Non Current

Bonds held and repayable

14
14

-
-

Note 24: Provisions

Current

Employee benefits provisions
Annual leave ^(a)
Long service leave ^(b)

1,807
2,367
4,174

1,685
1,853
3,538

Other provisions

Employment on-costs ^(c)

34
34

30
30

4,208

3,568

Non-current

Employee benefits provisions
Long service leave ^(b)
Deferred salary scheme

740
52
792

1,161
29
1,190

Other provisions

Employment on-costs ^(c)

6
6

10
10

798

1,200

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2011
(\$'000)

2010
(\$'000)

Note 24: Provisions (continued)

- (a) Annual leave liabilities, including superannuation, have been classified as current as there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows:

Within 12 months of the end of the reporting period
More than 12 months after the reporting period

1,108	939
699	746
<u>1,807</u>	<u>1,685</u>

- (b) Long service leave liabilities have been classified as current where there is no unconditional right to defer settlement for at least 12 months after the reporting period. Assessments indicate that actual settlement of the liabilities will occur as follows (including on-costs, which are shown separately above):

Within 12 months of the end of the reporting period
More than 12 months after the reporting period

946	1,410
2,187	1,629
<u>3,133</u>	<u>3,039</u>

- (c) The settlement of annual and long service leave liabilities gives rise to the payment of employment on-costs including workers compensation insurance. The provision is the present value of expected future payments. The associated expense, apart from the unwinding of the discount (finance cost), is disclosed at note 12 'Other expenses'.

Movements in employment on-cost provision

Carrying amount at start of period
Amount transferred in
Additional provisions recognised
Payments/other sacrifices of economic benefits
Carrying amount at end of period

40	37
-	-
1	3
-	-
<u>41</u>	<u>40</u>

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	2011 (\$'000)	2010 (\$'000)
Note 25: Equity		
The Government holds the equity interest in the Department on behalf of the community. Equity represents the residual interest in the net assets of the Department. The asset revaluation surplus represents that portion of equity resulting from the revaluation of non-current assets.		
Contributed equity		
Balance at the start of the period	30,083	10,269
Contributions by owners		
Other contributions by owners:		
Royalties for Regions Fund - Regional Infrastructure and Headworks Account	60,148	19,814
Inclusion of Special Purpose Fund now transferred controlled fund	1,150	-
Total contributions by owners	<u>61,298</u>	<u>19,814</u>
Balance at end of the period	<u>91,381</u>	<u>30,083</u>
Accumulated surplus/(deficit)		
Balance at the start of period	18,427	4,894
Result for the period	4,847	13,533
Inclusion of Special Purpose Fund now transferred controlled fund	(522)	-
Income and expense recognised directly into equity	-	-
Balance at the end of period	<u>22,752</u>	<u>18,427</u>
Total equity at end of period	<u>114,133</u>	<u>48,510</u>

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Note 26: Notes to the Statement of Cash Flows

Reconciliation of cash

Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	2011 (\$'000)	2010 (\$'000)
Cash on hand	11	11
Cash in operating account	29,882	21,792
Cash In operating account - restricted (refer note 17)	3,132	3,152
Total available cash and cash equivalents	33,025	24,955
Restricted cash held in suspense at Department of Treasury and Finance (refer note 17)	381	318
Total cash	33,406	25,273
Reconciliation of net cost of services to net cash flows provided by/(used in) operating activities		
Net cost of services	(42,407)	(42,361)
<u>Non-cash items:</u>		
Depreciation expense (note 9 'Depreciation and amortisation expense')	63	65
Resources received free of charge (note 16 'Income from State Government')	1,116	815
Net (gain)/loss on disposal of non-current assets (note 15 'Net gain/(loss) on idsposal of non-current assets')	4	-
<u>(Increase)/Decrease in assets:</u>		
Current Receivables ^(a)	498	(1,158)
Other assets	(76)	119
<u>Increase/(Decrease) in liabilities</u>		
Current Payables	2,202	785
Provisions - Employee benefits	238	327
Net GST payments ^(b)	289	(118)
Change in GST in receivables/payables ^(c)	165	(182)
Net cash used in operating activities	(37,908)	(41,708)
Net cash provided by/(used in) operating activities per 'Statement of Cash Flows'	(37,908)	(41,708)

(a) Note that the Australian Taxation Office (ATO) receivable/payable in respect of GST and the receivable/payable in respect of the sale/purchase of non-current assets are not included in these items as they do not form part of the reconciling items.

(b) This is the net GST paid/received, ie. cash transactions.

(c) This reverses out the GST in receivables and payables.

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2011
(\$'000)

2010
(\$'000)

Note 27: Resources provided free of charge

During the year no resources were provided to other agencies free of charge for functions outside the normal operations of the Department.

Note 28: Commitments

Capital expenditure commitments

Capital expenditure commitments, being contracted capital expenditure additional to the amounts reported in the financial statements, are payable as follows:

Within 1 year	123,317	95,640
Later than 1 year and not later than 5 years	-	88,073
Later than 5 years	-	-
	<u>123,317</u>	<u>183,713</u>

The capital commitments include amounts for:
Royalties for Regions - Ord River Project

123,062	183,209
<u>123,062</u>	<u>183,209</u>

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	2011 (\$'000)	2010 (\$'000)
Note 28: Commitments (continued)		
<u>Operating Lease commitments</u>		
The Department has a number of property leases for its operations both within the State and for overseas representative offices. The leases have various terms and conditions and expiry dates including rent reviews. The Department also has lease commitments in respect to motor vehicles.		
Commitments in relation to leases contracted for at the end of the reporting period but not recognised in the financial statements are payable as follows:		
Within 1 year	2,289	2,186
Later than 1 year and not later than 5 years	5,847	7,148
Later than 5 years	-	-
	<u>8,136</u>	<u>9,334</u>
Representing:		
Non-cancellable operating leases	<u>8,136</u>	<u>9,334</u>

These commitments are exclusive of GST.

Note 29: Contingent liabilities and contingent assets

Contingent liabilities:

There are no known contingent liabilities.

Contingent assets:

There are no known contingent assets.

Note 30: Events occurring after the balance sheet date

No known event occurred after the balance sheet date which materially affects the results reflected in these financial statements.

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2011
(\$'000)

2010
(\$'000)

Note 31: Remuneration of senior officers

Remuneration

The number of senior officers whose total fees, salaries, superannuation, non-monetary benefits and other benefits for the financial year fall within the following bands are:

	<u>2011</u>	<u>2010</u>
\$30 001 to \$40 000	2	-
\$40 001 to \$50 000	-	1
\$50 001 to \$60 000	2	-
\$60 001 to \$70 000	2	2
\$70 001 to \$80 000	3	1
\$80 001 to \$90 000	-	2
\$90 001 to \$100 000	1	-
\$100 001 to \$110 000	-	1
\$110 001 to \$120 000	1	1
\$120 001 to \$130 000	-	2
\$130 000 to \$140 000	1	-
\$140 001 to \$150 000	-	2
\$150 001 to \$160 000	2	4
\$160 000 to \$170 000	4	-
\$170 001 to \$180 000	-	1
\$210 000 to \$220 000	1	-
\$240 000 to \$250 000	1	-
\$270 000 to \$280 000	1	-
\$370 001 to \$380 000	-	1
\$380 000 to \$390 000	1	-

The total remuneration of senior officers is:

2,992

2,339

The total remuneration includes the superannuation expense incurred by the Department in respect of senior officers.

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Note 32: Remuneration of Auditor

Remuneration paid or payable to the Auditor General in respect of the audit for the current financial year is as follows:

Auditing the accounts, financial statements and performance indicators.

**2011
(\$'000)**

**2010
(\$'000)**

48

40

Note 33: Explanatory Statement

Significant variations between estimates and actual results for income and expense as presented in the financial statement titled 'Summary of Consolidated Account Appropriations and Income Estimates' are shown below:

Significant variations are considered to be those greater than 10% or \$5 million.

Total appropriations provided to deliver services

There were no significant variances between 2010-11 estimates in the 2011-12 budget papers and actual results for appropriations provided to deliver services. Note: 2010-11 estimates have changed from the Agency's original published budget and were finalised after significant repositioning of appropriations for selected project expenditure in the Department's original 2010-12 budget to future years.

Significant variances between actual appropriations for 2010 and 2011

	<u>Variance</u> <u>(\$'000)</u>		
Total appropriation provided to deliver services for the year	(8,941)	46,138	55,079
Total Income (non-appropriation)	(7,445)	5,716	13,161

The nature of DSD's project based activity may result in inconsistency in appropriations and spending from year to year, depending on the timing of, and funding for, specific project expenditure. Variance in total appropriations between 2010 and 2011 is mainly due to lower levels of approved funding for the Browse Natural Gas Precinct and lower levels of approved funding for the Oakajee Rail and Port Project compared with prior year.

Total non-appropriated income in 2011 is lower compared with 2010 due to reduced level of contributions from private enterprise in respect to the Browse Natural Gas Precinct.

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Notes to the Financial Statements
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	2011 (\$'000)	2010 (\$'000)
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Note 33: Explanatory Statement (continued)

Service Expenditure

There were no significant variances between 2010-11 estimates in the 2011-12 budget papers and actual results for service expenditure. Note: 2010-11 estimates have changed from the Agency's original published budget and were finalised after significant repositioning of appropriations for selected project expenditure in the Department's original 2010-12 budget to future years.

Significant variances between actual results for 2010 and 2011

	<u>Variance</u> <u>(\$'000)</u>		
Total Cost of Services	(7,395)	48,127	55,522

Variance in total Cost of Services is mainly due to specific project expenditure movements year on year. The Browse Natural Gas Precinct (2011: \$8.5 million; 2010: \$20.2 million); the Oakajee Rail and Port Project (2011: \$2.5 million; 2010: \$5.5 million); Offset by increases in: Royalties for Regions Aboriginal Development Package (2011: \$4.0 million; 2010: \$2.0 million); and new projects including Ashburton North Industrial Precinct (2011 \$1.5 million); Anketell Rail and Port Project (2011: \$0.8 million).

Capital Contribution

Capital contributions, for Royalties for Regions Ord River Irrigation Project were in line with Treasury and Department of Regional Development & Lands requirements. Timing differed from the original 2010-11 Budget Estimate.

Significant variances between actual results for 2009 and 2010

	<u>Variance</u> <u>(\$'000)</u>		
Capital contribution (Royalties for Regions)	40,334	60,148	19,814

The funding differential represents the implementation of the Royalties for Regions package for the Ord river area. Payments are not consistent and depend on timing of project milestones.

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		2011 (\$'000)	2010 (\$'000)
Total Administered Transactions			
There were no significant variances, apart from normal project milestone payment timing, between 2010-11 estimates in the 2011-12 budget papers and actual results for administered transactions			
<u>Significant variances between actual results for 2010 and 2011</u>			
	<u>Variance</u> <u>(\$'000)</u>		
<u>Administered Expenditure</u>			
Administered Expenditure - State based programs	(1,322)	16,261	17,583
Administered Expenditure - Commonwealth based grants	(51,850)	9,850	61,700
<u>Administered Income and Appropriations</u>			
Administered Income - State Appropriations	(935)	16,285	17,220
Administered Income - Commonwealth Grants	(59,030)	6,260	65,290
Administered Income - External/Other	42	502	460

During the year ended June 2011 the Department received Commonwealth Government Nation Building Funding for the East Kimberley region, amounting to \$6.3 million (2010: \$65.3 million). \$3.6 million of 2009-10 income was carried over and re-distributed, along with current year income, as grants to other Government agencies and community based groups. Variation year on year is due to project milestone differentials.

State programs include transfer payments to the Dampier Port Authority - Bulk Liquids Berth Subsidy \$7.7 million (2010: \$7.7 million) and Water Corporation - Burrup Pipeline Subsidy \$8.5 million (2010: \$8.3 million).

Other Administered Income in 2010-11 includes discount unwinding on interest free loan receivable (\$0.5 million in 2009-10, \$0.3 million in 2009-10).

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Note 34: Financial Instruments

(a) Financial Risk Management Objectives and Policies

Financial instruments held by the Department are cash and cash equivalents, restricted cash and cash equivalents, receivables, and payables. All of the Department's cash is held in the public bank account (non-interest bearing) apart from restricted cash held in a special purpose account. The Department has limited exposure to financial risks. The Department's overall risk management program focuses on managing the risks identified below.

Credit risk

Credit risk arises when there is the possibility of the Department's customers defaulting on their contractual obligations resulting in financial loss to the Department.

The maximum exposure to credit risk at the end of the reporting period in relation to each class of recognised financial assets is the gross carrying amount of these assets inclusive of any provisions for impairment, as shown in the table at note 34(b) 'Financial instruments disclosures' and note 18 'Receivables'.

Credit risk associated with the Department's financial assets is minimal. For receivables other than government, the Department trades only with recognised, creditworthy third parties. In addition, receivable balances are monitored on an ongoing basis with the result that the Department's exposure to bad debts is minimal. At the end of the reporting period there were no significant concentrations of credit risk.

Allowance for impairment of financial assets is calculated based on objective evidence such as observable data indicating changes in client credit ratings. For financial assets that are either past due or impaired, refer to Note 34(b) Financial Instruments Disclosures.

Liquidity risk

Liquidity risk arises when the Department is unable to meet its financial obligations as they fall due.

The Department is exposed to liquidity risk through its trading in the normal course of business.

The Department has appropriate procedures to manage cash flows including drawdowns of appropriations by monitoring forecast cash flows to ensure that sufficient funds are available to meet its commitments.

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Note 34: Financial Instruments (continued)

Market risk

Market risk is the risk that changes in market prices such as foreign exchange rates and interest rates will affect the Department's income or the value of its holdings of financial instruments. The Department has limited exposure to foreign currency risk as it holds funds overseas for the operations of its overseas representative trade offices. It is not materially exposed to other price risks. Other than as detailed in the interest rate sensitivity analysis table at Note 34(c), the Department is not exposed to interest rate risk because apart from minor amounts of restricted cash, all other cash and cash equivalents and restricted cash are non-interest bearing.

(b) Categories of Financial Instruments

In addition to cash, the carrying amounts of each of the following categories of financial assets and financial liabilities at the end of the reporting period are:

	2011 (\$'000)	2010 (\$'000)
Financial Assets		
Cash and cash equivalents	33 025	21 803
Restricted cash and cash equivalents	381	3 470
Loans and receivables ⁽ⁱ⁾	2 555	2 880
Financial Liabilities		
Financial liabilities measured at amortised cost	4 619	2 417

(i) Excludes GST recoverable from the ATO (statutory receivable)

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Note 34(c): Financial Instrument disclosures

Credit Risk and Interest Rate Risk Exposures

The following table discloses the Department's maximum exposure to credit risk, interest rate exposures and the ageing analysis of financial assets. The Department's maximum exposure to credit risk at the end of the reporting period is the carrying amount of financial assets as shown below. The table discloses the ageing of financial assets that are past due but not impaired and impaired financial assets. The table is based on information provided to senior management of the Department.

The Department does not hold any collateral as security or other credit enhancement relating to the financial assets it holds.

The Department does not hold any financial assets that had to have their terms renegotiated that would have otherwise resulted in them being past due or impaired.

Interest rate exposures and ageing analysis of financial assets ^(a)

	Weighted Average Effective Interest Rate	Carrying Amount	Interest Rate Exposure		Past due but not impaired			Impaired financial assets
			Variable Interest Rate	Non-interest Bearing	up to 3 months	3-12 months	1 year and over	
			(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	
Financial Assets	%	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
2011								
Cash and cash equivalents	-	33,025	-	33,025	-	-	-	-
Restricted cash and cash equivalents	-	381	-	381	-	-	-	-
Receivables (a)	-	2,145	-	2,145	1,073	97	-	-
Amounts receivable for services	-	410	-	410	-	-	-	-
		35,961	-	35,961	1,073	97	-	-
2010								
Cash and cash equivalents	-	21,803	-	21,803	-	-	-	-
Restricted cash and cash equivalents	-	3,470	-	3,470	-	-	-	-
Receivables (a)	-	2,643	-	2,643	452	1	-	-
Loans and Advances	-	-	-	-	-	-	-	-
Amounts receivable for services	-	237	-	237	-	-	-	-
		28,153	-	28,153	452	1	-	-

^(a) The amount of receivables excludes GST recoverable from the ATO (statutory receivable).

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Note 34(c): Financial Instrument disclosures (continued)

Liquidity Risk

The following table details the contractual maturity analysis for financial liabilities. The table includes interest and principal cash flows. An adjustment has been made where material.

Interest rate exposures and maturity analysis of financial liabilities ^(a)

	<u>Interest Rate Exposure</u>				<u>Maturity Date</u>			
	Weighted Average Effective Interest Rate	Carrying Amount	Variable Interest Rate	Non-interest Bearing	up to 3 months	3-12 months	1-2 years	2 years to more than 5 years
	%	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)	(\$'000)
<u>Financial Liabilities</u>								
2011								
Payables	-	4,619	-	4,619	4,619	-	-	-
		4,619	-	4,619	4,619	-	-	-
2010								
Payables	-	2,417	-	2,417	2,417	-	-	-
		2,417	-	2,417	2,417	-	-	-

^(a) The amounts disclosed are the contractual undiscounted cash flows of each class of financial liabilities.

Interest rate sensitivity analysis

The Department has no material interest rate exposure.

Fair Values

All financial assets and liabilities recognised in the Statement of Financial Position, whether they are carried at cost or fair value, are recognised at amounts that represent a reasonable approximation of fair value unless otherwise stated in the applicable notes.

Note 35: Related Bodies

The Department had no related bodies as defined in the Financial Management Act 2006 and Treasurer's Instruction 951.

Note 36: Affiliated Bodies

The Department had no affiliated bodies.

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Note 37: Special Purpose Accounts

Special Purpose Account - section 16 (1) of the Financial Management Act 2006

Special Projects Fund:

The account was created to hold funds for the purpose of participating in significant projects with other countries, the Commonwealth and the private sector to the mutual benefit of the other participants and the State of Western Australia. In prior years' Financial Statements, the special purpose account was included in Administered Funds. In 2010-11 the balance of the account was transferred to the Controlled fund, in line with DSD's official budget papers.

Balance at the start of the year

Add receipts

Less payments

Balance at the end of the year

2011
(\$'000)

2010
(\$'000)

628

1,215

-

150

-

737

628

628

Australia China Natural Gas Technology Partnership Trust Fund

The account holds funds for the purpose of training Chinese managers from the natural gas industry in China, as well as joint Australia/China research programs. Training is conducted in both countries.

Balance at the start of the year

Add receipts

Contribution from State Government

Contribution from Commonwealth Government

Contribution from Industry

Less payments

Salaries

Consultants

Accommodation

Grants - Training

Other Services - Training Related

Allowances

Other payments

3,152

2,498

750

750

750

1,094

1,142

-

2,642

1,844

124

151

234

348

67

83

1,335

425

698

-

78

90

150

93

2,686

1,190

3,108

3,152

Balance at the end of the year

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Note 38: Supplementary financial information

(a) Losses Through Theft, Defaults and Other Causes

Losses of public moneys and public or other property through theft or default
Amount recovered

2011
(\$'000)

2010
(\$'000)

-

-

-

-

(b) Write Offs

During the financial year, nil (2010: nil) was written off the Department's asset register under the authority of:

The Accountable Authority

The Minister

Executive Council

-

-

-

-

-

-

-

-

(c) Gifts of Public Property

Gifts of public property provided by the Department

-

-

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Note 39: Disclosure of Administered Income and Expenses by Service (a)

	2011 (\$'000)	2010 (\$'000)
COST OF SERVICES		
<u>Expenses</u>		
Supplies and Services	-	921
Grants and subsidies - State Programs(b)	16,261	16,662
Grants and subsidies - Commonwealth Programs (b)	9,850	61,700
Total administered expenses	<u>26,111</u>	<u>79,283</u>
INCOME AND APPROPRIATION		
Service Appropriation	<u>16,285</u>	<u>17,220</u>
<u>Income</u>		
Other income (including unwinding of discount on loan receivable)	502	460
Commonwealth Grants	6,260	65,290
Total administered revenue	<u>6,762</u>	<u>65,750</u>
Total Administered Income and Appropriation	<u>23,047</u>	<u>82,970</u>
Administered Surplus/(Deficit) for the year (c)	<u>(3,064)</u>	<u>3,687</u>

- (a) The Department provides a single service, "Industry Development and Investment Facilitation"
- (b) 2010-11 includes the Commonwealth Government funded East Kimberley Development Project \$9.8 million (2009-10 \$61.7 million), Burrup Seawater Pipeline Subsidy \$8.5 million (2009-10 \$8.3 million), Dampier Port Authority Bulk Liquids Berth Subsidy \$7.7 million (2009-10 \$7.7 million).
- (c) Deficit for the year mainly represents Commonwealth funding carried forward to the 2010-11 year (the year of spending) from the 2009-10 year (the year of receipt).

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Note 40: Administered assets and liabilities

Current Assets

Cash and cash equivalents

Restricted cash ^(a)

Receivables ^(b)

Total Administered Current Assets

Non-Current Assets

Receivables ^(b)

GST Receivable

Total Administered Non-Current Assets

TOTAL ADMINISTERED ASSETS

Current Liabilities

Accounts payable

Total Administered Current Liabilities

TOTAL ADMINISTERED LIABILITIES

NET ASSETS

Equity

Contributed equity ^(c)

Equity Transferred Out

Transfer Contributed Equity from special purpose account to controlled fur

Surplus/(deficit) for the period

Transfer Accumulated Surplus from special purpose account to controlled

Accumulated surplus/(deficit)

TOTAL EQUITY

2011 (\$'000)	2010 (\$'000)
3,450	2,505
-	628
6,177	-
<u>9,627</u>	<u>3,133</u>
-	5,675
632	5,143
<u>632</u>	<u>10,818</u>
<u>10,259</u>	<u>13,951</u>
17	17
<u>17</u>	<u>17</u>
<u>17</u>	<u>17</u>
<u>10,242</u>	<u>13,934</u>
19,372	19,437
-	(65)
(1,150)	-
(3,064)	3,687
522	
(5,438)	(9,125)
<u>10,242</u>	<u>13,934</u>

^(a) Special projects fund (\$628 in 2009-10) refer to note 37 'Special Purpose Accounts' transferred to controlled fund

^(b) This mainly represents a non-interest bearing loan receivable from a company due in 2011 and renewable for five year terms until 2026. As there is no certainty that the loan will be renewed upon maturity of the current term in December 2011, the loan has been reclassified as current in the 2010-11 Administered Financial Statements.

^(c) Special purpose fund transferred to controlled fund. See also "Statement of Changes in Equity"

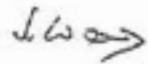
Administered Contingent Liabilities and Assets

There are no known administered contingent assets and liabilities.

Department of State Development

Certification of Key Performance Indicators

I hereby certify that the performance indicators are based on proper records, are relevant and appropriate for assisting users to assess the Department of State Development's performance and fairly represent the performance of the Department of State Development for the financial year ending 30 June 2011.



Stephen Wood
Acting Director General
Department of State Development
14 September 2011

Key performance indicators

Key Performance Indicators provide an overview of the critical or material aspects of outcome achievement (in terms of effectiveness) and service delivery (in terms of efficiency).

Overview

The Department of State Development's major contribution is to the Government's strategic goal State Building – Major Projects. We also contribute to other State Government Goals including *Stronger Focus on the Regions and Social and Environmental Responsibility*.

State Government's Strategic Goal: State Building - Major Projects

Build strategic infrastructure that will create jobs and underpin Western Australia's longterm economic growth

Agency Desired Outcomes

Responsible industry development and resource investment

Service

Industry development and investment facilitation

Changes to Outcomes Based Management Framework

No changes were made to the agency's Outcome Based Management Structure during 2010-11.

Audited KPI effectiveness indicators

Agency level desired outcome: Responsible industry development and resource investment

Effectiveness indicators provide information reporting on achievement of outcomes. The Department has two effectiveness indicators that are measured against the single outcome.

Effectiveness	Actual 2009-10	Target 2010-11	Actual 2010-11
Extent to which agreed milestones for projects where DSD is the lead agency are achieved within the reporting period	84%	85%	84%
Extent to which State Agreement proponents comply with their reporting obligations and meet the agreement objectives	90%	95%	96%

Audited KPI efficiency indicators

Service: Industry development and investment facilitation

Efficiency indicators relate services to the level or resource inputs required to produce the outcomes.

Average cost per project facilitated

The efficiency key performance indicators reflect the agency structure and differentiate between resource and industry projects/ programs and major State projects as identified by Government.

The number of projects used in the calculation of 'average cost per project facilitated' is the total sum of the numbers of:

- industry infrastructure projects where the Department of State Development is recognised as the lead agency
- resource development projects where the Department of State Development is recognised as the lead agency
- major resource projects where the Department of State Development is recognised as the lead agency
- international business programs

Each component forms part of the core business of the Department and represents the costs absorbed by 'active' projects in the reporting year. Projects where the Department is recognised as the lead agency and those projects/programs in receipt of Economic and Expenditure Reform Committee approved or Specific Purpose funding are included. This indicator excludes those projects which have been identified as significant by Government (State Initiatives). These are shown in separate results below.

Efficiency	Actual 2009-10	Target 2010-11	Actual 2010-11
Average cost per project facilitated	\$324,270	\$485,840	\$376,537

Explanation of variance: During the reporting year the Anketell Port and Ashburton North Strategic Industrial Area projects were elevated in status of significance and the associated funding was realigned to the "average cost per Major State Initiative" indicator.

Average cost per major State initiative

Projects considered to be of State significance and used to calculate this measure are:

- Browse Liquefied Natural Gas Precinct
- Oakajee Mid West Development
- Ord East Kimberley Expansion
- Anketell Port and Ashburton North Strategic

Efficiency	Actual 2009-10	Target 2010-11	Actual 2010-11
Average cost per major State initiative	\$10,400,670	\$18,565,670	\$4,579,800

Explanation of variance: While the overall funds required to complete projects can be estimated, the timing of the related expenditure is not necessarily clear-cut at the project commencement stage. The difference between target and actual results is attributed to projected timelines varying from original estimates and a requirement to reposition approximately \$40 million into the 2011-12 budget, to realign actual future expenditure with the most likely year of incurrence. Detailed movements are explained on page 39-40.

Other Financial Disclosures

Pricing policies of services provided

The Department of State Development does not provide any goods and services for which fees are charged.

Ministerial directives

Treasurer's Instruction 903(12) requires the Department to disclose information on any Ministerial directives relevant to the setting and achievement of desired outcomes or operational objectives, investment and financing activities. No directives were issued by the responsible Minister during the financial year ending 30 June 2011.

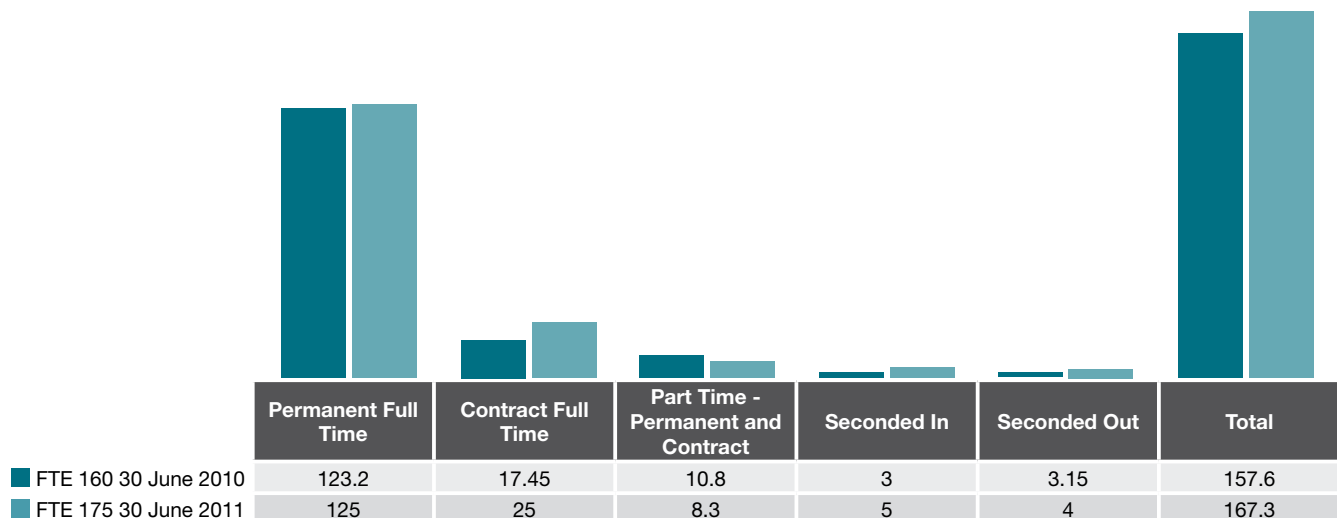
Capital projects

The Department has funding responsibility for the State Government Royalties for Regions initiative for the Ord River Project. The project is to build economic infrastructure including irrigation and roads and to provide education, health and community infrastructure. The project is scheduled for completion in the 2011-12 year. The estimated cost of the project is \$210 million, of which \$86.9 million had been expended by June 30, 2011.

Employment and industrial relations

Comparative FTE allocation by category

The Department managed its resourcing requirements within the constraints of the full-time equivalent (FTE) ceiling (175) during the year. For the 2011-12 year, our resourcing requirements are being increased to recruit people with specialist skills to manage aspects of large projects such as the Anketell Port and Ashburton North Strategic Industrial estates.



Industrial relations

The majority of departmental staff are employed under the *Public Service and Government Officers General Agreement 2011* and three staff are employed under the *Salaries and Allowances Tribunal Act 1975*.

There were no significant industrial relations issues during 2010-11.

The Department's payroll services are delivered by the Department of Mines and Petroleum under a Service Level Agreement.

Governance Disclosures

Senior officers

There were no disclosures from Senior Officers in relation to interests in firms or entities that may have existed or proposed contracts with the Department during 2010-11.

Other legal requirements

Advertising

In accordance with section 175ZE of the *Electoral Act 1907*, the Department incurred the following expenditure in advertising, market research, polling, direct mail and media advertising.

Advertising Agencies	\$0	\$Nil
Media Advertising Organisations		
Adcorp Australia	\$24,082	
Faircount Media Asia Pty Ltd	\$2,680	
Mitchell and Partners Australia Pty Ltd	\$1,906	
Paydirt Media Pty Ltd	\$6,546	
Roxby Media Ltd Australia	\$5,000	
The Indian Express Limited	\$5,070	
Miscellaneous Media Advertising	\$11,946	\$57,230
Market Research Organisations		
Global Business Reports	\$10,970	\$10,970
Polling Organisations	\$0	\$Nil
Direct Mail Organisations	\$0	\$Nil
Total Expenditure		\$68,200

Disability Access and Inclusion Plan outcomes

The Department is committed to ensuring that people with disabilities, their families and carers are able to fully access our services and facilities (both in-house and contracted) and provide them with the same opportunities, rights and responsibilities that are enjoyed by all people in the community.

As required by the *Disability Services Act 1993*, we have a Disability Access and Inclusion Plan (DAIP) 2009-14 that provides us with the framework for improving access and inclusion for people with disabilities.

During the year, upgrades and refurbishments to our accommodation continued, with improvements made through fit-outs from cubicle to open-plan design work areas, access to our reception area, on-site parking and other amenities. In addition to the internal facilities, we ensured that events held outside the offices were organised at venues with requisite facilities for people with disabilities.

Compliance with Public Sector Standards and Ethical Codes

In August 2010, the Office of the Public Sector Standards Commissioner held an “Employee Perceptions Survey” across the Western Australian Public Sector. The outcome for our agency indicated that our investment in increasing staff understanding of ethical standards and obligations met with comparatively good results overall although there is some room for improvement.

As a direct consequence, a considerable amount of work was undertaken during the year to improve human resource processes, which resulted in greater transparency and heightened communication to staff. Some notable changes were seen through:

- a review of grievance resolution processes and the subsequent appointment of grievance officers outside of Human Resources
- increased transparency of recruitment and appointment decisions after reviewing policies and modifying processes

- staff movements being published weekly
- an increased number of attendees at information and training sessions for selection panel members
- ensuring staff selection training was provided for managers to meet Public Sector Standards compliance.

No formal grievances were lodged in 2010-11 and no breach claims were received against the Public Sector Standards in Human Resource Management.

Ethical standards

The Department is committed to creating and maintaining a work environment that supports ethical behaviours that actively discourages potentially corrupt acts and deals promptly and fairly with instances of misconduct.

All departmental policies are readily available to employees. Employees are aware through the Code of Conduct that there is an obligation to disclose interests that could reasonably create a perception of bias, or an actual conflict of interest. We have continued to monitor and review our conflict of interest declarations and our compliance in this area is 100 per cent.

All new employees are fully inducted and information covers the expectation of high ethical behaviour, declarations of conflict and responsibility for reporting suspected unethical behaviours or actions.

In accordance with *Public Interest Disclosure Act 2003*, the Department has duly appointed Public Interest Disclosure Officers and has published internal policies and procedures related to its obligations. No public interest disclosures were received during the 2010-11 reporting year.

Governance

Following the assessment conducted in 2009-10 of the agency's performance against the OPSSC "Good Governance Principles", we commenced action plans in 2010-11 to address areas for improvements in two principles—Communications and Risk Management.

- During 2010 an external auditor was contracted to review all existing risk management processes. This work is progressing through 2011-12.
- A communication strategy is progressing which will establish clear guidelines and direction for communicating internal and external information. In support of this, there is an established Communications Agreement between the agency and the Minister's office and staff also attended monthly information forums where a broad variety of topics were covered during the year by both internal and external speakers, including guests from other agencies and industry.

Record Keeping Plans

The Department's Record Keeping Plan was approved by the State Records Commission in December 2009 subject to the update of the Retention and Disposal Schedule. Work has progressed on the final draft of the Retention and Disposal Schedule and the Record Keeping Plan, including the Schedule, and once finalised it will obtain final approved status.

We are committed to the continuous improvement of our Record Keeping Plan through ongoing assessment, and the development and review of systems, processes and business policies. We have also demonstrated our commitment to compliance with the *State Records Act 2000* through the development of an electronic taxonomy to assist in the correct titling of new and existing records.

Our Records Improvement Program, which commenced last year, is progressing and we have almost concluded an offsite archive box audit as part of the program. The program is also evaluating the management of files transferring between agencies, together with classifying and standardising our language for continuous improvements in our records management systems. The Department's

Record Keeping induction is being reviewed and evaluated to identify enhancements. Work has also commenced to develop an online Records Awareness Training initiative.

The Department's library service provides document management for the secure storage and retention of documents such as sister-state and Western Australian Trade Agreements and departmental memorandums of understanding. The agency has established a procedure for the acquisition, cataloguing and storage of this information, including a management system and location for these documents. Work continues to process, centralise, source and catalogue new or outstanding material for this collection.

Government policy requirements

Substantive Equality

The Department is committed to the principles of Substantive Equality and is implementing the framework with the assistance of the Equal Opportunity Commission. Although we do not deliver services directly to Indigenous and minority groups, there is interaction with Indigenous people through consultation and forums where community members are invited to give feedback on proposed and existing State projects.

Occupational Safety, Health and Injury Management

The Department reports information on Occupational Safety and Health (OSH) in accordance with the requirements of *Public Sector Commissioner's Circular 2009-11* and in support of the Western Australian Government commitment to the goals of the National *Occupational Health and Safety (OHS) Strategy 2002-2012*.

We are committed to developing a culture of safety awareness at all levels of the organisation. The agency supports the work of managers, employees and other stakeholders in identifying and managing safety and health issues in the workplace. All staff are encouraged to be proactive and identify and report hazards as well as suggest improvements to practices and procedures. All OSH related information is readily available to staff and all new employees are made aware of the location of this information at their induction.

As required under the *Occupational Safety and Health Act 1984*, we have elected safety and health representatives that provide a valuable role in hazard management and a mechanism for staff consultation on OSH.

The other consultative mechanism is a bi-monthly OSH committee meeting. During 2010-11, our representatives conducted regular workplace inspections to ensure our workplace is free from hazards.

This year the Department's OSH management introduced an OSH Manual and an OSH and Injury Management on-line training program for managers and staff. Complementing this, we also ran an OSH promotion in the workplace during national OSH Week.

During the year, an analysis of the Department's OSH System was conducted against the Worksafe Plan and Code of Practice Occupational Safety and Health in the Western Australian Public Sector, to identify areas of strength and opportunities to enhance existing safety and injury management practices.

The outcome of this report acknowledged recent improvements in OSH and the elevated level of commitment by OSH representatives and Corporate Services staff. Recommendations to be addressed during the 2011-12 year include establishing a formalised OSH System; a review of the hazard management reporting register; and the development and implementation of contractor safety management mechanisms.

The Department has trained First Aid Officers and First Responders for provision of first aid to staff if necessary. In 2010-11, winter flu vaccination, skin screening and health checks were offered to all staff.

In addition to the management of site safety, an Employee Assistance Program is available for confidential and critical incident counselling services to staff and their immediate family.

Injury Management

The Department complies with the *Workers Compensation and Injury Management Act 1981* with a focus on the officer being able to return safely to meaningful work following illness or injury. Our policy outlines the steps to be taken to assist an officer impacted by these circumstances.

Safety and Health Statistics	Target	2009-10	2010-11
Number of fatalities	Zero (0)	0.0	0.0
Loss time injury/disease (LTI/D) incident rate	Zero (0) or 10% reduction on the previous year	0.0	1*
Loss time injury severity rate	Zero (0) or 10% improvement on the previous year	0.0	100%*
Percentage of injured workers returned to work within 28 weeks	Actual percentage result to be reported	N/A	N/A
Percentage of managers trained in occupational safety, health and injury management responsibilities	Greater than or equal to 50%	75%	75%

* No actual loss – estimate only

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Vegetation, Kununurra

Appendix 1: Legislation and changes to Legislation – Acts and State Agreement Acts (Major resources projects)

The Department administers four Statutes and 68 State Agreements on behalf of the Western Australian Government. As part of this responsibility, we also negotiate new agreements, variations, terminations and repeals of State Agreement Acts as required.

This list outlines the Acts and Agreement Acts, by commodity, as at the end of the 2010-2011 reporting year:

Statutes administered by the Department

- *Government Agreements Act 1979*
- *Iron Ore Agreements Legislation Amendment Act 2010*
- *Iron Ore Agreements Legislation Amendment Act (No.2) 2010*
- *Nuclear Activities Regulation Act 1978*

Agreement Acts administered by the Department

Alumina

- *Alumina Refinery Agreement Act 1961*
- *Alumina Refinery (Mitchell Plateau) Agreement Act 1971*
- *Alumina Refinery (Pinjarra) Agreement Act 1969*
- *Alumina Refinery (Wagerup) Agreement and Acts Amendment Act 1978*
- *Alumina Refinery (Worsley) Agreement Act 1973*

Charcoal Iron and Steel

- *Wundowie Charcoal Iron Industry Sale Agreement Act 1974*

Coal

- *Collie Coal (Griffin) Agreement Act 1979*
- *Collie Coal (Western Collieries) Agreement Act 1979*

Copper

- *Western Mining Corporation Limited (Throssell Range) Agreement Act 1985*

Diamonds

- *Diamond (Argyle Diamond Mines Joint Venture) Agreement Act 1981*

Energy

- *Goldfields Gas Pipeline Agreement Act 1994*
- *Pilbara Energy Project Agreement Act 1994*
- *Ord River Hydro Energy Project Agreement Act 1994*

Forest Products

- *Albany Hardwood Plantation Agreement Act 1993*
- *Bunbury Treefarm Project Agreement Act 1995*
- *Collie Hardwood Plantation Agreement Act 1995*
- *Dardanup Pine Log Sawmill Agreement Act 1992*
- *Paper Mill Agreement Act 1960*
- *Wood Processing (WESFI) Agreement Act 2000*
- *Wood Processing (Wesbeam) Agreement Act 2002*

Gas

- *North West Gas Development (Woodside) Agreement Act 1979*
- *Barrow Island Act 2003 (which incorporates the Gorgon Gas Processing and Infrastructure Project Agreement)*

Gold

- *Tailings Treatment (Kalgoorlie) Agreement Act 1988*

Iron Ore and Steel

- *BHP Billiton (Termination of Agreements) Agreement Act 2006*
- *Iron Ore (The Broken Hill Proprietary Company Limited) Agreement Act 1964 (Terminated)*
- *Iron Ore (Channar Joint Venture) Agreement Act 1987*
- *Iron Ore (FMG Chichester Pty Ltd) Agreement Act 2006*
- *Iron Ore (Goldsworthy-Nimingarra) Agreement Act 1972*
- *Iron Ore (Hamersley Range) Agreement Act 1963*
- *Iron Ore (Hamersley Range) Agreement Act Amendment Act 1968*

- *Iron Ore (Hope Downs) Agreement Act 1992*
- *Iron Ore (McCamey's Monster) Agreement Authorization Act 1972*
- *Iron Ore (Marillana Creek) Agreement Act 1991*
- *Iron Ore (Mount Bruce) Agreement Act 1972*
- *Iron Ore (Mount Goldsworthy) Agreement Act 1964*
- *Iron Ore (Mount Newman) Agreement Act 1964*
- *Iron Ore (Murchison) Agreement Authorization Act 1973*
- *Iron Ore Direct Reduced Iron (BHP) Agreement Act 1996 (Terminated)*
- *Iron Ore (Rhodes Ridge) Agreement Authorisation Act 1972*
- *Iron Ore (Robe River) Agreement Act 1964*
- *Iron Ore (Wittenoom) Agreement Act 1972*
- *Iron Ore Beneficiation (BHP) Agreement Act 1996*
- *Iron Ore (Yandicoogina) Agreement Act 1996*
- *Iron Ore Processing (Mineralogy Pty Ltd) Agreement Act 2002*

Mineral Sands

- *Mineral Sands (Eneabba) Agreement Act 1975*
- *Mineral Sands (Cooljarloo) Mining and Processing Agreement Act 1988*
- *Mineral Sands (Beenup) Agreement Act 1995*

Nickel

- *Nickel (Agnew) Agreement Act 1974*
- *Nickel Refinery (Western Mining Corporation Limited) Agreement Act 1968*
- *Poseidon Nickel Agreement Act 1971*

Oil

- *Oil Refinery (Kwinana) Agreement Act 1952*

Salt

- *Dampier Solar Salt Industry Agreement Act 1967*
- *Evaporites (Lake MacLeod) Agreement Act 1967*
- *Leslie Solar Salt Industry Agreement Act 1966*
- *Onslow Solar Salt Agreement Act 1992*
- *Shark Bay Solar Salt Industry Agreement Act 1983*

Uranium

- *Uranium (Yeelirrie) Agreement Act 1978*

Miscellaneous

- *Cement Works (Cockburn Cement Limited) Agreement Act 1971*
- *Industrial Lands (CSBP & Farmers Limited) Agreement Act 1976*
- *Industrial Lands (Kwinana) Agreement Act 1964*
- *Pigment Factory (Australind) Agreement Act 1986*
- *Silicon (Kemerton) Agreement Act 1987*
- *Railway (Roy Hill Infrastructure Pty Ltd) Agreement Act 2010*
- *Railway and Port (The Pilbara Infrastructure Pty Ltd) Agreement Act 2004*
- *The Commonwealth Oil Refineries Limited, (Private) Act, 1940*
- *Texas Company (Australasia) Limited (Private) Act 1928*

New Agreement Acts ratified

- *Railway (Roy Hill Infrastructure Pty Ltd) Agreement Act 2010*

New Statutes

- *Iron Ore Agreements Legislation Amendment Act 2010*
- *Iron Ore Agreements Legislation Amendment Act (No.2) 2010*

Variations

- *Cement Works (Cockburn Cement Limited) Agreement Act 1971*
- *Railway and Port (The Pilbara Infrastructure Pty Ltd) Agreement Act 2004*

Agreements* Terminated

- *Iron and Steel (Mid West) Agreement Act 1997*
- *Iron Ore Direct Reduced Iron (BHP) Agreement Act 1996*
- *Iron Ore Processing (BHP Minerals) Agreement Act 1994*
- *Wesply (Dardanup) Agreement Authorization Act 1975*
- *Wood Chipping Industry Agreement Act 1969*

*The Agreement/s has been terminated.
The Act is yet to be repealed.

Agreement Acts Repealed

During the reporting period, no State Agreement Acts were repealed.

Appendix 2: Glossary of terms used in the Financial Statements

Accrual

Accrual basis accounting reports income when earned and expenses when incurred, as opposed to cash basis accounting, which reports income when received and expenses when paid. Accruals are liabilities to pay for goods or services that have been received or supplied but have not been paid or invoiced. Accrued expenses are usually included in payables.

Administered Funds/Transactions

Administered income and expenditure relates to funds that the Department may not utilise to achieve its day-to-day objectives. Administered appropriations and income is passed through the Department for specific purposes and is not the subject of departmental discretion. Administered funds are also utilised for activities such as 'transfer payments', e.g. grant payments where the Department has no discretion in the selection of eligible beneficiaries and/or determining the amount of payment and/or any conditions attaching to the payment.

Capital Appropriation

Funding allocated by Parliament to Government departments to enable them to fund capital (asset) additions.

Contingent Liabilities/Contingent Assets

A contingent liability is:

- a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- b) a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is the inverse of a contingent liability.

Controlled Funds/Transactions

Controlled expenses form part of the cost of operating the agency in the pursuit of its objectives. Controlled expenses include those

assets consumed, or liabilities incurred, in the process of providing departmental services for the purpose of performing the functions of the Department. Controlled expenses may include salaries and other employee entitlements; operating costs; depreciation; and grants and subsidies when the Department has discretionary powers as to recipient, value and conditions attaching to the payment of the grants/subsidies.

Depreciation

The cost of assets with a value above \$5,000 is not charged to expenses through the Statement of Comprehensive Income in the year of purchase. Such assets are capitalised in the Statement of Financial Position reflecting their enduring benefits to the organisation beyond the financial period in which they are purchased. Depreciation is a charge to expenses which recognises that the value of those assets will diminish over time, through wear and tear or obsolescence. Upon capitalisation, the estimated useful life of the asset is determined and its value is written off to expense, through the depreciation charge, over that period, progressively reducing the carrying value of the asset being depreciated.

Discount Unwound on Loan

Where a loan is provided at less than commercial value (e.g. at no interest), accounting standards require, upon initial recognition, the loan principle to be discounted to net present value, and the discount charged to the Statement of Comprehensive Income, representing the opportunity cost forgone by providing the loan at a discounted rate. This discount is subsequently written back or “unwound” each year over the life of the loan.

Equity

Equity is sometimes referred to as ‘net worth’ and represents the amount owners have invested in a business. Equity is typically calculated as: what is owned (assets) minus what is owed (liabilities).

$\text{EQUITY} = \text{ASSETS} - \text{LIABILITIES}$.

Historical Cost Convention

The historical cost convention states that all transactions are recorded at their original value and adjustments are not made for inflation. Assets are not valued at market or realisable value, but stay in the accounting records at their historical or original price.

Holding Account

Special purpose accounts held at the Department of Treasury and Finance on behalf of agencies; typically for capital acquisitions, leave payments and the 27th pay accrual. The 27th pay accrual recognises that every 11 years there will be 27 fortnightly pay periods in a financial year rather than the usual 26 pay periods. The 27th pay accrual progressively puts cash aside to fund the additional payment in the 11th year. It is a cash transfer only and movements into or out of the holding account do not constitute expenses or revenue when they occur. The holding account remains as an asset in the Agency’s Statement of Financial Position until it is utilised.

Infrastructure

Assets that provide a structural foundation for the community— e.g. roads, irrigation, etc.

Intangible Asset

An intangible asset is defined as an identifiable non-monetary asset without physical substance. This definition includes computer software, trademarks, etc.

Owners

The Government of Western Australia.

Provisions

Accounting Standards require the recognition of a provision when:

- a) an entity has a present obligation (legal or constructive) as a result of a past event
- b) it is probable that an outflow of resources will be required to settle the obligation
- c) a reliable estimate can be made of the amount of the obligation.

There is more timing uncertainty for provisions than for accruals. Common provisions include employee entitlements for leave.

Recurrent Expenditure

Recurrent expenditure on goods and services is expenditure which does not result in the creation or acquisition of fixed assets. It consists mainly of expenditure on salaries, grants, purchases of goods and services other items which pass through the Statement of Comprehensive Income.

Resources Received Free of Charge

Resources received free of charge relate to goods and/or services being provided free of charge from other entities within the Western Australian Government. To acknowledge the value of these resources to the agency, their consumption is recorded as an expense item in the Statement of Comprehensive Income and the fair value of the resources provided is recorded as notional income. No cash is exchanged or formal invoices levied in respect to the services.

Restricted Cash

Represents cash held in the controlled fund for a specific purpose, but for which some discretion may be exercised in carrying out the functions of the fund.

Royalties for Regions

Royalties for Regions is an agreement that underlines the State Government's long-term focus on regional development throughout Western Australia.

Through Royalties for Regions, the equivalent of 25 per cent of the State's mining and onshore petroleum royalties are returned to the state's regional areas each year as an additional investment in projects, infrastructure and community services.

The Department of State Development's participation is in relation to the Ord-East Kimberley Expansion Project, with the objective of increasing the total size of the Ord irrigation area to 22,000 hectares of agricultural land.

Service Appropriation

An appropriation is the amount of funding allocated by Parliament to government departments to facilitate the process of providing departmental services for the purpose of performing the functions of the Department. Appropriations can be both in cash and non-cash form.

Statement of Cash Flows

The cash flow statement is concerned with the flow of cash in and cash out of the business.

The statement captures both the current operating results and changes in the Statement of Financial Position. That is, it takes into account payments for recurrent expenditure in addition to capital expenditure, includes income and equity injections from all sources and makes allowances for movements in accruals, provisions and assets when determining cash outflows. It reconciles the opening and closing bank balances and explains significant movements over the year.

Statement of Changes in Equity

Bridges the gap between the amount of equity (financial injection) owners have in the business at the beginning of the accounting period and the amount of their equity at the end of the period. Consequently, it contains information relevant to both the Statement of Comprehensive Income and the Statement of Financial Position.

Statement of Comprehensive Income

Previously known as the “Income Statement” or “Profit and Loss Statement” it itemises the revenues and expenditures that led to the year’s surplus or deficit. It excludes expenditures on asset purchases and direct equity contributions by owners. Comprehensive income attempts to measure the sum total of all operating and financial events that have changed the value of an owner’s interest in a business.

Statement of Financial Position

Previously known as the “Balance Sheet” it reports on an organisation’s assets, liabilities and ownership equity. It is a snapshot at a given point in time.

Appendix 3: Office directory

Office of the Director General

Stephen Wood
A/Director General 9222 0400

Cheryl D'Souza
Executive Assistant 9222 0400

Strategic Policy

Nicky Cusworth
Deputy Director General 9222 0410

Jenness Gardner
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State Initiatives

Gail McGowan
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Brett Sadler
Executive Director, Oakajee 9222 0421

Gary Hamley
A/Executive Director, Browse 9222 0534

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A/Director, Project Approvals Strategy 9222 0717

Resources and Industry Development

Giles Nunis
Deputy Director General 9222 0500

Joe Ostojich
Executive Director, Strategic Projects 9222 0436

Milka Klobucar
A/Executive Director, Project Facilitation 9222 0904

Chris Clark
Executive Director, Strategic Infrastructure 9222 0592

Gary Simmons
Executive Director, Strategic Infrastructure 9222 3811

Roger Dean
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